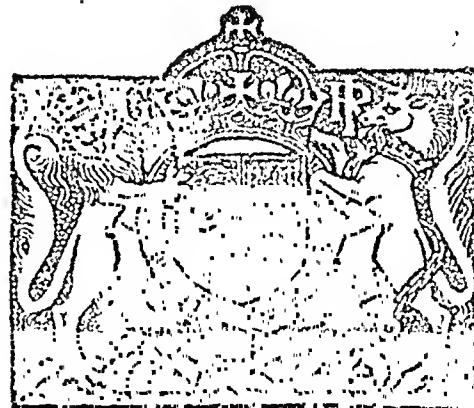


REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1927-28

Volume I—Report



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1929

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MEWAR RESIDENCY, UDAIPUR.

(i)

Composition of the Committee on Public Accounts constituted for the year 1929-30.

In the previous year the eight elected members of the Committee on Public Accounts were :

Mr. S. C. Mitra.

Maulvi Abdul Matin Chaudhury.

Mr. K. C. Neogy.

Mr. C. S. Ranga Iyer.

Mr. T. A. K. Shervani.

Mr. B. Das.

Haji Chowdhury Muhammad Ismail Khan.

Rao Bahadur M. C. Rajah.

2. Out of these the following four members were declared, under rule 51(4) of the Indian Legislative Rules, to have retired from the Committee on the expiry of one year from the date of their election :—

Mr. S. C. Mitra.

Mr. K. C. Neogy.

Mr. C. S. Ranga Iyer.

Maulvi Abdul Matin Chaudhury.

3. The following motion was made by the Honourable Sir George Schuster in the Legislative Assembly on the 28th January 1929 and adopted by the House :—

“ That the non-official Members of the Assembly do proceed to elect, in the manner required by rule 51 of the Indian Legislative Rules, 4 Members to be members of the Committee on Public Accounts in place of the 4 members who have retired in accordance with sub-rule (4) of the same rule ”.

4. In pursuance of this, the undermentioned members were elected by the House :—

Mr. S. C. Mitra.

Kumar Ganganand Sinha.

Maulvi Abdul Matin Chaudhury.

Mr. K. C. Neogy.

5. The following members were nominated by the Governor General under rule 51(2) of the Indian Legislative Rules :—

Maulvi Mohammad Yakub.

Mr. K. C. Roy.

Lt.-Col. H. A. J. Gidney.

6. Under rule 51 (5) of these rules the Finance Member is the Chairman of the Committee.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS
OF 1927-28.

I.—Excess Votes.

The following table compares the total grants voted by the Legislative G
Assembly with the total expenditure against those grants :
Su
m

(In lakhs of rupees.)

—	Original grant.	Supple- mentary grant.	Final grant.	Actual expendi- ture.
Expenditure charged to Revenue ..	1,02,44	5,65	1,08,09	1,07,46
Expenditure charged to Capital ..	26,93	5,75	32,68	33,87
Total Expenditure ..	1,29,37	11,40	1,40,77	1,41,33
Disbursements of Loans and Advances ..	4,82	4,93	9,75	9,74
Grand Total ..	1,34,19	16,33	1,50,52	1,51,07

2. The following table compares the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations :

(In lakhs of rupees.)

—	Original Appropriation.	Supple- mentary Appropriation.	Final Appropriation.	Actual Expenditure.
Expenditure charged to Revenue ..	1,12,01	21	1,12,22	1,11,44
Expenditure charged to Capital ..	3,59	1	3,60	1,19
Total Expenditure ..	1,15,60	22	1,15,82	1,12,63

3. If the total voted and non-voted expenditure is taken, the position is as follows :

(In lakhs of rupees.)

		Original grant.	Final grant.	Actual Expenditure.
Expenditure charged to Revenue	..	2,14,45	2,20,31	2,18,90
Expenditure charged to Capital	..	30,52	36,28	35,06
Total Expenditure	..	2,44,97	2,56,59	2,53,96
Disbursements of Loans and Advances ..	..	4,82	9,75	9,74
Grand Total	..	2,49,79	2,66,34	2,63,70

4. It will be seen that against grants aggregating 266.34 crores the actual expenditure was 263.70 crores—a saving of 2.64 crores or 1 per cent. against a saving of 10.17 crores or 3.8 per cent. in 1926-27. The savings are made up as follows :

(In crores of rupees.)

Railway expenditure charged to Capital	..	·67
Military expenditure	..	·52
Disbursements of Loans and Advances ..	..	·01
Other items	..	1.44
Total	..	2.64

5. The percentage of savings in the final grants for 1927-28 and in the two preceding years are given below for purposes of comparison :

	1925-26.	1926-27.	1927-28.
	Rs.	Rs.	Rs.
Expenditure charged to Revenue ..	3·0	2·9	·6
Expenditure charged to Capital ..	15·5	5·8	3·4
Total Expenditure ..	4·6	3·3	1·0
Grand total, including Loans and Advances ..	6·7	3·8	1·0

These figures show that the improvement in the estimating under the various heads taken as a whole noticed last year has been maintained during the year under report.

6. The following table compares the percentage of savings under voted grants with that of the savings in non-voted appropriations :

		Savings +	Excess —
	1927-28.		
Expenditure charged to Revenue	..	..	+·58
Expenditure charged to Capital	..	..	—3·64
Total Expenditure	..	..	—·40
	1926-27.		
Total Expenditure	..	..	+5·2
			+1·0

7. The most important feature here is that, unlike previous years, there is an excess of ·4 per cent. under voted grants against savings of 5·2 per cent. in 1926-27 and 7·8 per cent. in 1925-26. This result shows that the tendency deliberately to over-estimate voted expenditure as to which previous committees expressed apprehensions has become much less marked.

The increase in the saving under non-voted expenditure was mainly due to the fact that while the budget provided for railway debentures to be renewed as well as those to be discharged, the actuals show only the debentures discharged. This accounts for a saving of over Rs. 2½ crores. We are informed that the question of altering the method of budgeting for these items is under the consideration of the Railway Board.

8. The improvement noticed above is partly due to the system of lump cuts introduced in 1925-26 but the persistent over-budgeting which still exists under a number of items which have been brought to our notice in the Appropriation Reports indicate that even more severe pruning is required. As regards provision for pay of establishment and leave salary, we consider that the only way of arriving at more accurate results is to make lump deductions for probable savings on the basis of previous actuals. We are informed (Q that certain provisional orders were issued by the Finance Department to the 640 accounts officers in September 1928 and that that Department propose to issue further orders when the actuals of a few years are available.

9. In view of the large number of cases of defective budgeting which have been brought to our notice by the Auditor General, we consider that there is still scope for improvement in the methods of budgeting. The arrangements made in the Finance Department to have a whole-time Budget Officer 810 (who is also Secretary to the Public Accounts Committee) to watch the operation of the budget throughout the year and test its accuracy have been explained to us. This is a step in the right direction; but what is required now is a special effort to work up to a higher standard of accuracy in budgeting in all Departments, and we share the doubts referred to by the Financial Secretary as to whether a mere scrutiny of results within the Finance Department will be sufficient for this purpose. We think that, at least until

a higher standard all round has been attained, a more intensive effort may be necessary and that it would be most advantageous if a specially experienced officer from the Finance Department could personally visit all the estimating offices, look into and co-ordinate their work and have occasional conferences with the estimating officers. We are also informed by the Auditor General that his experience of the past few years had been that the Finance Department was under-staffed and that it was absolutely necessary to increase the staff in order to work up to a high standard of efficiency. We agree with the Auditor General and recommend that the Finance Department should be adequately staffed and consider that it is justifiable to err on the side of being over-staffed in the initial stages in order to work up to a high standard of efficiency. We wish also to emphasise the great importance during the initial stages of securing continuity in the staff of the Finance Department which is to be employed on this special work.

10. In the following cases the actual expenditure exceeds the voted grants and an excess vote of the Assembly is accordingly required :

Item No.	Number of grant.	Grant.	Amount voted by the Assembly.	Actual expenditure.	Excess.
		<i>Civil.</i>	Rs.	Rs.	Rs.
1	41A	General Administration—Miscellaneous ..	..	231	231
2	43	Administration of Justice	68,000	68,009	9
3	72A	Miscellaneous Adjustments between Central and Provincial Governments	3,47,000	3,50,431	3,431
4	73	Refunds ..	75,58,000	77,15,481	1,57,481
5	91	Commututed value of pensions ..	25,73,000	26,79,529	1,06,529
6	94	Loans and Advances bearing interest ..	8,74,23,000	8,80,35,971	6,12,971
		<i>Posts and Telegraphs.</i>			
7	23	Indian Posts and Telegraphs Department ..	10,54,16,998	10,62,25,766	8,08,768
		<i>Railways.</i>			
8	4	Revenue—Working Expenses—Administration	12,49,00,000	12,69,93,000	20,93,000
9	10	Revenue—Appropriation from Depreciation Fund	10,20,00,000	10,95,11,000	75,11,000
10	14	Revenue—Strategic Lines	1,55,10,000	1,56,48,000	1,38,000
11	7	Capital—New construction	8,46,44,000	8,90,24,000	1,44,80,000
12	8	Capital—Open Line Works	21,02,92,000	21,56,37,000	53,45,009
13	15	Capital Strategic Lines ..	95,25,000	95,75,000	50,000

11. A brief explanation of each excess is given below :

Items 1 and 2.—The excesses are negligible. In the first case the excess was due to the adjustment after the close of the year of the leave salary of an officer on foreign service in Iraq.

Item 3.—The excess was due to the adjustment after the close of the year on account of the refund to the Government of Bombay of customs duty paid in cash on stores imported by them during the year 1926-27. The adjustment should have been made in the accounts of 1928-29.

Item 4.—The expenditure under this head is of an inevitable nature and (Quest^{168.}) the excess was due to certain unforeseen items which had to be incurred towards the close of the year.

Item 5.—This was the second year in which commutations were charged (Quest^{816.}) to capital and the estimate had to be framed practically in the absence of actuals which are the only guide in framing an estimate under this head.

Item 6.—The excess was due to larger expenditure on the Sutlej Valley Project during the closing months of the year. We understand that the question of obtaining more accurate estimates is being considered by the Finance Department.

Item 7.—A supplementary grant for Rs. 20,11,000 was obtained from the (Quest^{114.}) Assembly in March 1928 but in applying for this grant the Department had to make certain assumptions regarding the extent of the effect of the numerous concessions granted to the staff during the year. The results show that these assumptions were not accurate.

Item 8.—The excess was due to the fact that certain economies in ad- (Quest^{763.}) ministration, which the Railway Board anticipated, were not fully realised and a larger amount was also required for new items of expenditure.

Items 9, 11, 12 and 13.—It is admitted by the Railway Department that (Quest^{762.}) these excesses signify the breakdown of the system of over-allotment introduced in 1925-26. We are glad to note that the amount over-allotted has been drastically reduced in the budget estimates for 1929-30, the amount over-allotted in that year being only a little over a crore as against 18 crores in 1926-27. We also note with approval the statement made by the Finance Department that the Finance Member has assumed much closer control over capital expenditure than hitherto, and that, as a further measure to prevent over expenditure, the powers of re-appropriation of Railway Agents have been considerably curtailed. We are of opinion that the results of these changes must be carefully watched and that the control of the Finance Department must be rigidly maintained. It is a matter for serious consideration whether the present system according to which the Railway capital expenditure programme for any year is settled

during the preceding autumn and also according to which the Railway budget is presented to the Legislative Assembly before the General Budget, is conducive to the general interests or to the proper information of the Legislative Assembly as to the factors affecting the situation and the issues involved.

Item 10.—The total excess under the grant, taking voted and non-voted together, is just under 1 per cent.

12. The total number of voted grants in which there has been an excess is 13 and the total amount requiring the vote of the Assembly is Rs. 3,13,06,420, of which Rs. 2,73,86,000 is due to the system of over-allotment in the Railway Budget. We recommend that the Assembly assent to the excess grants for 1927-28 which the Governor General in Council will place before them for the following sums in respect of the heads referred to in paragraph 10 :—

	Rs.
Expenditure charged to Revenue ..	1,14,31,420
Expenditure charged to Capital ..	1,98,75,000
Total ..	3,13,06,420

13. Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every re-appropriation from one grant to another grant ; every re-appropriation within a grant, which is not made in accordance with such rules as may be prescribed by the Finance Department ; and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. We are glad to be able to report that there have been no re-appropriations falling under these categories during the year ; nor have the Finance Department requested us to bring to the notice of the Assembly any particular item of expenditure.

II.—Comments on matters outstanding from previous Reports.

14. We are glad to note that the Auditor General has prepared an Epitome of the Reports of our predecessors from 1923—27 and of the Government orders thereon. We are informed that copies of the Epitome will be supplied to the Members of the Committee and to such other Members of the Assembly as ask for it.

15. We are gratified to learn that the Government of India have issued orders on the following questions which have been outstanding for a long time :—

- (a) introduction of the system of token votes,
- (b) formulation of rules to regulate the placing and control of contracts, and
- (c) formulation of general principles to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of individuals.

16. The following items included in Appendices II and III may be considered as settled :

Appendix II.—Items 7, 8, 10, 11, 14, 15, 16, 23, 25, 29, 34, 35, 39 and 40.

Appendix III.—Item 7.

Our observations on some of the outstanding items are contained in the following paragraphs.

17. *Supplementary Demands.*—The Resolution issued by the Government (Question of India on the Report of last year says that steps will be taken to present belated supplementary demands to the Assembly provided that on each occasion the programme of work in the Legislature permits. We consider that it should be accepted as an obligation by the Government that opportunities should be found during the session for the presentation of such demands and that, inasmuch as the voting of grants is the primary function of the Assembly, the excuse that time is not available ought in no circumstances to be accepted.

18. *Reserve at the disposal of the Finance Department.*—Under the arrangement in force at present, when a new item of expenditure is sanctioned and it is not possible to meet it by re-appropriation, funds to cover it are sanctioned from the small reserve at the disposal of the Finance Department and a supplementary grant is obtained from the Legislative Assembly later on. There are thus two grants to cover one item of expenditure and one of them has to be surrendered. Hitherto the practice was to surrender the grant sanctioned by the Legislative Assembly. The Finance Secretary has now agreed with the Auditor General that the correct procedure would be to surrender the appropriation from the reserve ; this procedure will accordingly be followed in future.

We are also informed that the real reason for providing a reserve is that, if there were no reserve and if in any individual case the expenditure could not be met by re-appropriation then a supplementary grant sanctioned by the Assembly for meeting that expenditure would cause an excess over the total budget provision for expenditure during the year. The reserve provides a margin within the limits of which variations are possible without producing an excess over the total Budget vote. The Financial Secretary has agreed to discuss this question further with the Auditor General.

19. *Internal check on Customs Receipts.*—We are informed that with a view (Question to improving the immediate check on appraisements, a large number of superior officers described as Principal Appraisers have been appointed at Calcutta and 147 and 163.) and 163.) and Bombay from the 1st April 1929 to ensure that every appraisement is scrutinised by a superior officer immediately after the original appraisement and that the results of this experiment are being watched before introducing the scheme in other ports. We are also informed that a scheme drawn up by the officer on special duty in the Finance Department to improve the audit checks and costing about Rs. $3\frac{1}{2}$ lakhs for all the Departments under the control of the Central Board of Revenue is now under the consideration of that Department. We consider that, as a matter of principle, it is desirable that the most effective form of audit should be applied but that the cost must be taken into account. In this particular case, we think it right that the Finance

Department should have an opportunity to study the details of the scheme more thoroughly before making a final recommendation. It is, however, desirable that that Department should arrive at an early decision.

6.) 20. *Concessions to firms.*—In connection with a case in which the representative of an important business concern having large business transactions with the Posts and Telegraphs Department had been allowed for some years a free use of the trunk telephone line between two important places as an act of courtesy, our predecessors recommended that such concessions should be given in future only by the Government of India, who should scrutinise the cases jealously and communicate their sanctions to audit. This raises the further question whether Government have any power to waive revenue which it is authorised to levy under a statute. We recommend that the Government of India should consider this question and obtain authoritative opinion on the legal position.

7.) 21. *Inventory of Government property.*—We are prepared to accept the general conclusion arising from the Memorandum on the subject furnished to us by the Finance Department and printed as Appendix VI to this Report.

8.) 22. *Expenditure relating to Moplah Settlement.*—We are informed that, although it is not feasible to prepare a complete account of expenditure in connection with all the Moplah settlers in the Andaman Islands, it ought nevertheless to be quite possible for the additional expenditure on the 12 villages occupied by Moplah settlers to be shown separately. As this would cover the bulk of such settlers, we recommend that this should be done, as the cost of this settlement is a matter of considerable public interest.

9.) 23. *Remedying defects in the machinery for executing repairs to buildings in the Posts and Telegraphs Department.*—We are informed that the decision to transfer the maintenance of these buildings to the Posts and Telegraphs Department was the result of a recommendation of the Public Works Re-organisation Committee that mere maintenance work should not be one of the main functions of the Public Works Department. We shall be glad to have a thorough report next year showing how the new system of making Departments responsible for the maintenance of their own buildings has worked so far as the Posts and Telegraphs Department is concerned.

10.) 24. *Contributions to the Posts and Telegraphs Depreciation Fund.*—The Financial Adviser has furnished us with a Memorandum on this subject, which has been printed as Annexure I to the proceedings of our second meeting, in which it has been suggested that, judging from the expenditure hitherto incurred on renewals and replacements, the present contribution to the Depreciation Fund is unduly high. It appears to us that it is incorrect in principle to compare the contribution in any one year with the amount actually spent in that year, as the contribution is intended to meet renewals and replacements at the end of their effective life. Nor can a series of two or three years even provide a decisive test. It is also incorrect to consider the accuracy of the rules regarding depreciation without considering at the same time

the accuracy of the other bases of the commercial settlement. For example, if, as is possible, the capital on which the Department is now paying interest is smaller than what it would be if the whole undertaking had been commercialised from the very beginning and as it will increase as the old assets are replaced by new ones, it might not unreasonably be argued that the contribution to the Depreciation Fund now being paid, even if it were on the high side, which is at least doubtful, might be taken as a set-off against the low amount of interest now paid by the Department on its capital. Further, in considering the commercial position of the undertaking, it is not entirely safe to be guided by present results, for account must be taken of the inevitable future increase of expenditure due to the numerous concessions as regards pay and allowances, which have recently been sanctioned for the staff. It is questionable whether this increase will be offset by the normal growth of revenue of the Department. A further point, of which account must be taken, is that the basis on which the contribution to the Depreciation Fund has been fixed may produce misleading results. For, when the life which has been assumed for any particular asset is completed, all contributions to the Depreciation Fund in respect of that asset cease although it may actually continue in use; and further when it is actually replaced, the expenditure on its replacement will in practically every case amount to several times the amount available in the Depreciation Fund. As we have not got sufficient information at present to deal with the question as a whole, we suggest that a small committee be set up to consider how far the system of accounting at present in force really provides a true picture of the commercial results of the Department's working, and, as the chief part of this enquiry, to investigate the actual results of the present provision for depreciation and to consider in particular its adequacy having regard to replacements which are likely to be necessary, and to the foundation on which the capital account as it stands at present has been built up.

25. *Credit due to the Posts and Telegraphs Department for railway telegraphs (Qu and enhancement of rent due from canal administrations.)*—The settlement of these items should be expedited, as the commercial results of the working of the Department cannot be ascertained accurately till this and the other outstanding questions regarding adjustments are settled.

26. *Special Officer's report on the system of preparing budget estimates by Railways.*—We are informed that the report has just been received and is under the consideration of the Railway Board. We desire to record, however, that it is very regrettable that the presentation of this report, which was asked for by our predecessors in 1926 and called for ever since, should have been delayed so long. We must also note that it is a somewhat depressing fact that, although we are now informed that most of the recommendations that the special officer has made after three years' study have in the meanwhile actually been introduced, nevertheless it is not possible to observe any substantial improvement. We understand, however, that in the case of certain railways some of the recommendations of the special officer still remain to be introduced and that this is likely to lead to improvements. In view of the long delay that has already occurred, we suggest that such action as remains to be taken on the report should be expedited, so that the improvements may be given effect to in the next budget.

27. *Crew system.*—As the report required by our predecessors comparing the expenditure on the crew system on the lines where it is in force with the recoveries made from passengers travelling without tickets is not yet ready, it is difficult for us to make any final recommendations on the subject, and we therefore desire to have a full report next year on the above and also on the question of the efficiency with which the system is being applied and administered. We also suggest that the Railway Board should consider whether it will not be more appropriate to place the crew system under the control of the accounts department instead of under the traffic department.

28. *Audit on company lines.*—We are informed by the Auditor General that he is not at all satisfied with the present scale of audit on company lines, and that his recommendation to introduce on company lines the same system of audit as is now in force on State lines is now under the consideration of the Finance Department. In view of the serious irregularities which have been brought to our notice in the Appropriation Accounts, we consider that the system of audit on company lines should be strengthened, the actual details being settled by the Finance Department and the Railway Board in consultation with the Auditor General. We are very strongly of opinion that the decision on the question should be expedited.

We find that the explanations given to us by the Railway administration in a number of cases are substantially different from the facts mentioned in the Accountant General's Report, which indicates a lack of co-operation between the Government Examiner and the Company's auditor.

In this connection, we note with great appreciation that as an immediate sequel to our examination of the Railway Department this year, the Railway Board have decided to appoint an officer on special duty to investigate the causes of the irregularities to which our attention has been called, and to devote particular attention to cases which indicate a lack of proper co-operation between the Railway accounts staff and the Government Examiners. Although the audit staff must always preserve an independent position, there is much to be gained by a mutual spirit of helpfulness on both sides and discrepancies in the evidence as to particular cases such as we have noted in our recent examination ought to be avoided. The existence of such discrepancies makes it extremely difficult for this Committee to exercise its function of conducting an impartial examination into all cases. The special enquiry which is now to be conducted will, it is hoped, point the way for improving the present position in this respect and we shall be glad to have a report on the question next year.

29. *Supply of Administration Reports to members of the Public Accounts Committee.*—We accept the suggestion of the Financial Secretary that in future a list of all the Administration Reports available should be circulated to the Members of the Committee simultaneously with the Appropriation Reports, on the understanding that if any member returns the list to the Finance Department marking on it such reports as he requires, the marked reports will be sent to him.

30. We have again devoted our careful consideration to the question of what procedure should be adopted for the discussion of the annual Report of the Public Accounts Committee in the Legislative Assembly (cf., paragraphs 11 and 16 of Reports for 1925-26 and 1926-27, respectively).

We desire at the outset to state what we conceive to be the position of this Committee in respect of the preparation of its report and of the procedure to be adopted for its discussion in the Assembly. The Public Accounts Committee is a body created by statutory rule and appointed by the Assembly itself, and its report once made must remain in existence and cannot be unmade. The question as to the procedure which should be adopted for the consideration of the Report in and by the Assembly is a question which must ultimately be decided by the Legislative Assembly. We conceive it to be our duty, however, to consider the various alternative proposals which have been suggested and we have taken the memorandum prepared by the Finance Department (annexed as Appendix V to this report) as a basis for our discussion.

The proposals which have come forward in the course of this discussion fall under three main heads :—

- (a) That on a motion that “the report be taken into consideration”, there should be a general discussion on the report as a whole analogous to that which takes place at the general discussion stage of the budget.
- (b) That in addition, or possibly as an alternative to a motion that “the report be taken into consideration”, there should be afforded to the Assembly an opportunity to discuss, on definite resolutions moved, special topics referred to, or recommendations made, in the report.
- (c) That after the motion that “the report be taken into consideration”, there should be a further motion that “the report be adopted”; and that it should be open to the Assembly to discuss the vote upon amendments moved to the report.

We have in the first place given our very careful consideration to the course outlined in (c), which, according to the report of the last conference of the Presidents and Deputy Presidents of Provincial Legislative Councils, was the line of procedure favoured by that conference. We must of course attach considerable weight to such a recommendation but, nevertheless, we venture to express the view that there are serious objections to this course if it follows the exact form suggested above. It seems to us that it would in practice mean that the Legislative Assembly must commit itself *either* to accepting or rejecting *en masse* every one of the recommendations made in a long report embodying opinions and recommendations on perhaps a hundred points of varying nature, or that the Legislative Assembly should have power to amend the report, in which case it would cease to be the report of the Public Accounts Committee.

As to the latter alternative, we think that the function which the Legislative Assembly would wish and indeed ought to exercise is that of calling the attention of the Executive Government to the matters arising out of the

report to which it attaches special importance, and to the action which it considers ought to be taken on the Committee's recommendations, rather than that of making actual amendments in the text of the report, which, as indicated above, when once made, must remain in existence and cannot be unmade. It must of course be open to the Legislative Assembly to criticise the recommendations of the Committee, but for this purpose it is not necessary that amendments should be moved to the report itself, nor does it seem to us that such action would be appropriate.

For these reasons we have felt that the choice should lie rather between courses (a) and (b).

There is much to be said on both sides. It must be remembered in the first place that the time available for discussion will inevitably be limited (probably to one day), and the question of practical importance is how this limited time can be employed to the best advantage. On the one hand, it may be argued that a general discussion would probably make it possible to cover more ground and bring to light practically all the points to which the Members of the Assembly attach importance ; while on the other hand, it may be said that a discussion focussed on certain specific recommendations would be more effective, particularly if this took the form of debate on definite resolutions on which members could express their opinion by voting.

The opinion of our Committee on the choice between these two alternatives has been divided ; but we are all agreed that it is desirable to avoid fixing any procedure without ascertaining the views of the Assembly. We further consider that whatever form of procedure may be adopted at the outset it should not be regarded as rigid and unalterable, but rather as experimental, so that it can be varied in the light of practical experience.

Subject to these reservations we put forward the following proposal, *viz.*, that as a practical step it would be best at the outset to establish a convention analogous to that which is observed in settling the order of priority for the discussion of Demands for Grants during the consideration of the Budget. We think it might be possible for each party to consider the procedure which they wish to have adopted as a matter for special decision annually in connection with each individual report. If, for example, the general view in connection with a particular year's report is that it contains recommendations which deserve special and individual discussion, the procedure contained in alternative (b) could be adopted for the year, and the choice of the subjects taken and the order of priority as between them could be settled in the same way as is done in the case of Demands for Grants. On the other hand, if, as is quite possible, on another occasion the balance of opinion is in favour of no more than a general discussion, the procedure provided for in alternative (a) would suffice. We think indeed that the form of the discussion which is desirable is likely to vary according to the nature of each report, but, in any case, if the recommendation which we have made above is accepted, it will provide an elastic method of procedure which, after a few years, is likely to crystallise into a regular and accepted form which has been proved by experience to be appropriate to actual requirements.

We believe that this procedure would secure substantially the same object as that aimed at by those who have advocated alternative (c). We wish to

record, however, that we have also considered a further suggestion which approximates more closely in form to that alternative, and which, if a suitable working convention could be established, might be adopted without involving the objections to which we have called attention above. We think, therefore, that this further proposal should also be considered by the Legislative Assembly. This further proposal is that the report might be treated on the lines on which the King's Speech is dealt with in the House of Commons. The motion for the Address to the King is not touched, but the criticism or suggestion as to Government policy is always added as an addendum thus : " but this House regrets that His Majesty's Ministers have not.....(or urges that steps be taken, etc.....)". The motion in the case of the Public Accounts Committee report might be " That this House adopts the report of the Public Accounts Committee (and recommends to the Governor General in Council to give effect to its proposals) in particular to the following (or with the following modifications), (or conveys to the Governor General in Council its regret that.....)". If this procedure is followed, the objections to which we called attention above in discussing alternative (c) would not arise, provided that it is established as a regular working convention that the " adoption " of the report is automatic, and that the recommendations made by the Assembly take the form of an addendum. In fact, subject to this convention, the procedure would not differ very materially from the other suggestion which we have made, and we suggest that it could be worked on the same plan so far as concerns the settling of the special points which would be selected each year for consideration.

III.—Comments on general matters arising out of the present Report.

31. Our predecessors last year agreed with the Auditor General that, as ^{Se} experience has shown in England, it is not possible to frame any rigid rule for the interpretation of the term " New Service ", but that the application of the term to concrete cases can best be governed by the evolution of a body of ⁴⁶¹ case law. In order to help the future committees to evolve such a body of case law, we suggest that the Auditor General should in future years furnish a Memorandum to the Committee giving a collection of all doubtful cases with full details. This year we have had to deal with the specific cases mentioned in paragraphs 31—36.

32. *Erection of a boiler and an electric generating plant at the Ghazipur (Qu) Opium Factory.*—As it was explained to us that this was only a replacement ²⁴⁸ and not even a new instrument of service, we agree that this need not be treated as a " New Service ".

33. *Expenditure of Rs. 4,35,785 on the conversion of the R.I.M.S. " Dufferin " (Qu) into a training ship against a budget provision of Rs. 1,40,973.*—As the intention ⁵⁹² from the beginning was to acquire the ship and refit it as a training ship, we consider that this is a case of defective budgeting rather than one of undertaking a " New Service ".

34. *Purchase of the Anand Creamery at a cost of Rs. 60,000.*—It has been ^{Qu} argued on two grounds that this should not be treated as a " New Service " ; ⁵⁷¹ first, that as funds were voted by the Assembly for running the Creamery in 1925-26 and 1926-27, no further payment in connection therewith need be regarded as a " New Service " ; secondly, that it had ^{over}

by one Department from another, the Creamery having been purchased by the Agricultural Department from the Army Department. As regards the second argument, though theoretically the whole budget (including both voted and non-voted grants) should be considered as a single unit so that an item provided under the vote for one Department need not on strict technical grounds be treated as a "New Service" when it is transferred to another Department, nevertheless, if the transfer is (as in the present case) from a non-voted to a voted Departmental grant, this circumstance does in practice import a new factor which, in fairness to the Legislative Assembly, ought to be taken into account. Moreover, although the transfer of cash was only from one Department to another, it did in fact put the Department receiving the payment into the possession of funds provided for in another budget, which funds, as a result of the transfer, might have been disposed of on a non-voted service without reference to the Legislature. Turning to the first argument, the Standing Finance Committee and the Legislative Assembly had only approved expenditure for running the Creamery, and not for its purchase; the practical result is that while under the arrangement originally contemplated by the Standing Finance Committee and the Legislative Assembly, the Government could have terminated it at any time without loss except the loss incurred on the working during the period approved by them, now that the Creamery has been purchased, it is necessary to consider not only the working loss but also the possibility of a loss on disposal of the undertaking. We therefore consider on both the grounds that this item should be treated as a "New Service".

35. *Installation of an electrolytic silver refinery at the Bombay Mint.*—We are informed that prior to the installation of this refinery, the only means of refining silver at the Mint was by cupelling furnaces which were mainly used for refining silver recovered from drosses and were quite unsuitable for refining large quantities of fairly high touch silver as the losses would be excessive and the cost high and the quality of refined silver would not be good. The new refinery not only refines Government silver but also undertakes work for the bullion merchants and the public. The installation is therefore not a replacement but represents a new manufacturing unit and implies a definite policy on the part of the Government. There is thus a double reason for regarding this as a "New Service". Not only was the plant a new plant and not an extension of the existing plant, but the installation of this new plant involved the adoption of a new policy on the part of the Government. We consider this latter feature to be an important determining factor when considering whether any particular expenditure amounts to a "New Service". We therefore agree with the Auditor General that this ought to have been treated as a "New Service".

36. *Re-armament of the Quetta-Peshin Police.*—We are informed that funds for this purpose were voted by the Assembly in 1926-27 and that the stores were actually supplied in that year, but owing to some delay the debit was raised by the Military Department in the following year. We are of opinion that an item for which money had been voted by the Legislature in a previous year should not be treated as a "New Service" merely because the expenditure was incurred in another year.

37. *Construction of new Railway lines.*—We are glad to note that there is no difference of opinion between us and the Railway Board that a new

construction should be regarded as a "New Service" and that a supplementary grant ought normally in every case to be applied for. The Financial Commissioner, however, has represented to us that in some cases it may be legitimate and desirable for the Railway Board to start a new construction without actually obtaining a supplementary grant from the Assembly provided always that the Standing Finance Committee for Railways has approved of the construction. The point made by the Financial Commissioner was that sometimes, owing to special unforeseen circumstances, it may be found impossible to start work on a particular project included in the budget, but that there may be another project equally desirable on which work could be begun immediately, and that if the latter project could not be started till the vote of the Assembly is obtained, a whole working season might be lost and a substantial part of the construction staff left idle. The main question involved is what latitude is to be allowed to the executive to start a new service with the approval of the Standing Finance Committee in anticipation of the approval of the Legislature. We consider that whatever latitude is allowed, the executive should not be allowed to substitute for a project approved by the Legislature another project the full cost of which will be considerably more, although in the particular year in which it is started the expenditure might not exceed the amount already provided for in the budget. We also urge that in all such cases of substituting one project for another, the control of the Finance Member should be rigidly exercised.

Further, when alternative projects are under consideration, particulars of all of these might be given to the Legislative Assembly when the Railway budget is presented, and it might be possible by adding token votes to get approval in advance from the Assembly for power to select one out of the various projects mentioned. We think that the procedure for this purpose ought to be carefully considered and then formulated in definite terms.

38. In the course of our discussions a question was raised whether in (Quest 532.) the case of construction of quarters and other amenities for government servants the money limit for determining whether the expenditure relates to a "new service", should not be lower than in other cases. We could not however pursue the point as sufficient information was not available about the particular item of expenditure on which the question was raised. We hope that the report to be furnished by the Auditor General in future years (vide paragraph 31 ante) will enable succeeding committees to deal with the question.

39. We also suggest that in future the Standing Finance Committee and ~~also the Standing Finance Committee for Railways, when asked to approve of~~ any scheme placed before them, should consider, in the light of the case law ~~of~~ promulgated by this Committee, whether the scheme constitutes a "New Service". In order to enable that Committee to perform this function, the Department of the Government of India responsible for presenting the demand to that Committee should call attention to all the relevant facts and considerations.

40. The Auditor General has suggested, and we entirely agree with him, that the amount of a supplementary grant should be distributed ~~among~~ ~~between~~ various sub-heads and demand units like that of the original grant.

41. On paragraph 59 of the report of the Accountant General, Posts and Telegraphs, the Auditor General has raised the important point whether re-appropriations should be made in the course of the year as soon as necessity for the expenditure is foreseen or whether lump sum re-appropriations made at the end of the year would suffice. We consider that in order to enable the departmental officers to watch the progress of expenditure with the help of the accounts officers, it is necessary that re-appropriations should be sanctioned as soon as necessity for additional expenditure is foreseen.

42. In the course of our discussions a few cases were brought to our notice in which there was a great disparity between the charges levied for telegrams and those levied for the use of trunk telephone lines. In view of the increasing competition between the telegraphs and telephones, we suggest that the Government should consider whether the relative rates of the two should not be revised so as to secure the best possible economic results.

43. The Chief Controller of Stores in evidence before us stated that until the Government departments placed a larger share of their orders through the Indian Stores Department, that department cannot be self-supporting; and that while several departments and especially the Army would be of great importance, the really decisive factor in the situation must always be the Railways. He said in fact that without the bulk of the Railway business, the department could not become self-supporting. In view of these statements we think that the time has come for the Government to adopt a definite and decisive policy in relation to the Indian Stores Department. We wish therefore to record a recommendation that if the Government are satisfied that the department is so organised that it is capable of purchasing stores with efficiency (as regards testing quality, etc.), and economy, on a standard comparable to that attained by the departments when purchasing on their own account, then the Government should issue orders that all stores (other than stores of a special technical nature) required by any Government Department should in future be purchased through the Indian Stores Department; and that if the Government are not so satisfied then they should appoint a committee of the Legislative Assembly to enquire into the present position and working of the Indian Stores Department. We are prepared to recognise that there may be reasons against the immediate universal application of orders such as are envisaged in the first part of our recommendation stated above, and that time may be required for the development of the Stores Department in certain directions, but this admission is not inconsistent with a declaration of policy by the Government such as we have recommended. Moreover, if the Government were to adopt a definite policy, the development of the Department might be greatly accelerated. We received, for example, a very valuable suggestion from the Chief Commissioner of Railways in this matter. He informed us that, except for certain big items the purchase of which has been centralised with the Railway Board, the Railways were prepared to effect purchases through the Indian Stores Department in every case where it was to their advantage to do so—subject always to the reservation that they could not hand over to any outside agency their responsibilities regarding rolling stock—an exception which we accept as coming under the heading of special technical stores. The Chief Commissioner went on to say that a year ago the Railway Board had agreed

to purchase through the Indian Stores Department a number of additional items of stores and that he would be prepared to consider at intervals of six months or a year further additions to the list. The criterion he would apply would be that it must be to the advantage of the Railways to do so, and if there was any doubt about the advantage to be obtained in regard to certain items, he would suggest that for a year or two the Railways should purchase half the quantity of such stores departmentally and half through the Indian Stores Department. He hoped that he would thus obtain a reliable test of the practical efficiency of the latter. If such a practice is applied on a sufficiently large scale and with a genuine and whole-hearted desire to assist the development of the Indian Stores Department, not only by the Railways but by all other Government departments, it might be reasonable to defer further orders until this practical experiment had been completed. But we maintain that the Government should definitely announce their policy to this effect. We further wish to emphasise that, in considering whether the Indian Stores Department operates economically, all the factors which affect the Government of India as a whole should be taken into account. For example, while it may happen that the Army Department purchasing oil on their own account could get oil cheaper than if they were to buy it through the Indian Stores Department, after allowing for the addition of the 2 per cent. commission which the latter charges, nevertheless the financial results to the Government of India as a whole might be better if the purchases were made through the latter Department.

44. Profit and loss accounts and balance sheets of commercial undertakings ^{Com} are at present incorporated in the Appropriation Accounts, but owing to the ^{cial} ^{und} form in which the accounts are presented, and to the fact that in all cases we ^{take} are dealing with accounts which are two years old, we can carry out no useful or (Ques) practical review of the commercial results and efficiency. As it is very material ^{683,} ^{845.)} to our task to be able to form an opinion on these points, we recommend that in the case of commercial undertakings, including the Railways, there should be an annex to the Appropriation Accounts reviewing the general results of the working of the undertakings on the basis of the latest figures available and giving a general account of the business, containing the sort of information which is given in the annual report of a commercial company and in the speech made by the chairman of a public company to the shareholders at the annual meeting. Such reports would in any case be of general interest to the public.

45. The Accountant General, Railways, has brought to our notice a case in ^{Dep} which a Railway suffered some loss by the departmental manufacture of bricks. ^{men} ^{man} Although we realise that in commercial undertakings mistakes like this in calculating probable savings by departmental manufacture are liable to occur, and al- (Ques) though the loss in the particular case was of a relatively small amount, nevertheless ^{761.)} an important lesson can be learnt from the incident under review, viz., that when Railways desire to undertake a manufacturing business of this kind, which, is outside their ordinary business, special care should be devoted to checking the estimates. As there is some danger of the Railway undertakings in India growing to an unmanageable size, any tendency to expand outside their own special task, should be checked. Such expansion is justifiable only if conditions are such that a particular article required by the Railways cannot be obtained on any sort of reasonable terms unless they manufacture it themselves: ^{see} H61CPBFind

the mere prospect of making an ordinary commercial profit should be no inducement for the undertaking of such business. It must always moreover be remembered that it is difficult enough to provide adequate capital for meeting the needs of actual railways, without locking up money in side shows.

46. At present the Railway budget is presented in the Assembly by the Railway Member. Under the Indian Legislative Rules, however, the Budget has to be presented by the Finance Member, and we are informed that the definition of the term 'Finance Member' as given in Rule 2 of the Indian Legislative Rules permits the Governor General to appoint any Member of the Assembly other than the regular Finance Member for a special purpose to exercise the functions prescribed by the rules for the Finance Member. We desire to recommend that when the Governor General exercises this power of appointing any Member as the Finance Member for the purpose of any particular rule in the Indian Legislative Rules, the order of such appointment should be laid on the table of the House. We also suggest that the Railway Board should obtain the opinion of the Legislative Department as to the interpretation of the definition referred to above.

47. A question of great importance which has been raised on several occasions at our meetings is whether the existing convention as regards Railway Finance was intended to exclude the Public Accounts Committee from being consulted or giving advice about the form of the Demands for Railway Grants.

Rule 44 (3) of the Indian Legislative Rules lays down that the Budget shall be presented in such a form as the Finance Member may consider best fitted for its consideration by the Assembly; and it would be in accordance with English constitutional theory and practice that in deciding such matters the Finance Member, if he desired advice or suggestion from outside the Finance Department, should consult the Public Accounts Committee rather than any other body connected with the Legislature. On the other hand, under the Resolution regarding the separation of Railway from General finances adopted by the Legislative Assembly on the 20th September, 1921, the form which the Railway Budget shall take after the separation, the details it shall give and the number of demands for grants into which the total vote shall be divided has to be considered by the *Railway Board in consultation with the Standing Finance Committee for Railways*. While this Resolution clearly gives to the Standing Finance Committee for Railways a definite function in the matter, there is no evidence to show that the Legislative Assembly, in adopting this proposition, took into consideration the further implication of an intention altogether to exclude the form of Railway accounts from the purview of the Public Accounts Committee. In any case, it appears to us that the decision, however strictly interpreted, does not necessarily mean that the constitutional powers of the Finance Member and his right to act, if so desired, in consultation with the Public Accounts Committee are abrogated, and we submit that it would require very definite and explicit decisions based on due constitutional authority to abrogate such powers and rights. We therefore record the view that even now, that is to say, without any further affirmation from the Legislative Assembly being required, the position is that all changes in the form of Demands for Railway Grants initiated by the Railway Board in consultation with the Standing Finance Committee for Railways may be

subject to further consideration by the Finance Member who, before arriving at a final decision, will be entitled to consult the Public Accounts Committee. In expressing this view, we do not at all wish to suggest trenching on the powers or limiting the scope of the Standing Finance Committee for Railways. The main work will still be theirs, and normally, in view of the Assembly Resolution and the convention thereby adopted, the initiation and preliminary consideration of all proposals for changes in the form of Railway Accounts will rest with them. On the other hand, it may on occasions happen that the Public Accounts Committee, while examining the Appropriation Accounts of the Railways, may consider that some change is required in the form of the Demands for Railway Grants.* In such a case it would be proper for the Finance Member, in deference to the arrangement authorised by the Legislative Assembly in 1924, to ask that the Standing Finance Committee for Railways should consider the suggestions of the Public Accounts Committee, leaving himself the liberty thereafter if he thought it necessary, to make a further reference to the Public Accounts Committee before he came to his own final conclusion.

We believe that in practice the interpretation of the position which we have set out above will provide a satisfactory working arrangement which will be the best in the public interest and will ensure that both the Standing Finance Committee for Railways and the Public Accounts Committee can render to the Government the very valuable services of which they are capable.

48. An estimate amounting to Rs. 2,27,645 was prepared by the Director ^{R.I.} _{D.} of the Royal Indian Marine for the conversion of the "Dufferin" as a training ship. The appropriation in the budget for 1927-28 for this work was ^{(Que} ₅₉₂₋ Rs. 1,40,973. The actual cost of the conversion amounted, however, to ^{816.} Rs. 3,56,373, i.e., an excess of Rs. 1,28,728 or 56.5 per cent. over the estimate, and of Rs. 2,94,812 over the appropriation. The reasons for the excess as given in paragraph 6 of Appendix XIII may be valid, but we must call attention to a very unsatisfactory feature in this case, namely, that the expenditure was actually incurred by the Marine Department in 1927-28 without their giving any intimation of the fact to the Commerce Department. The first notice that the Commerce Department received was in February 1928 through a proof copy of the Demands for Grants for the year 1928-29 sent to them by the Finance Department. This case clearly proves that it is necessary that when one Department of Government employs another to do work for it, there ought to be a proper business arrangement made in order to insure that the Department undertaking the work does not exceed the estimate without the authority of the employing Department. We also suggest that the Auditor General should investigate what precise procedure could be adopted in a case like this to keep the Department responsible for providing the funds informed of the progress of expenditure on the work.

49. A case was brought to our notice in which an officer was placed on ^{Office} _{spec} _{duty} special duty for work which was estimated in the first place to last only six

* A case actually occurred which we quote as an illustration. The Public Accounts Committee of 1926-27 and 1927-28 urged that the Railway Demands for Grants, as presented to the Assembly at the time of the Budget, should conform to the form of accounts presented before the Public Accounts Committee - the latter shewing under each Grant expenses charged to respective Railways. The Financial Commissioner of Railways accepted this suggestion and the demands of 1928-29 were presented accordingly. ^(Que 644.)

months, but actually continued to eighteen months. We consider that it should be possible in the case of temporary employment of an officer on special duty to frame a more accurate estimate of the period required for the special work.

IV.—Comments on matters relating to particular departments arising out of the present Report, etc.

REPORT OF THE ACCOUNTANT GENERAL, CENTRAL REVENUES.

Grant 18—Salt.

50. We desire to record that an examination of the accounts of the Northern India Salt Revenue Department for 1927-28 reinforces the recommendation made by our predecessors in paragraph 18 of their report of last year. We reserve further recommendations until we have had an opportunity of examining the special full report on the commercial results which will be placed before the Committee next year.

51. We understand that at present no commercial system of accounts is maintained for the Government salt producing sources in Bombay, Madras and Burma. We are of opinion that the commercial system of accounts should be introduced in all Government salt producing undertakings.

Grant 47—Meteorology.

52. We desire to have a report next year analysing the services which are rendered by the Meteorological Department to the Royal Air Force and the reciprocal services rendered by the latter in the study of Meteorology, new routes for civil aviation or otherwise. The report should mention specifically those activities which the Department would not have undertaken but for the Royal Air Force. While asking for this report we recognise that meticulous accuracy as regards claims and counter claims during the present experimental period is neither practicable nor desirable.

Grant 49—Botanical Survey.

53. In considering the position as regards the large stocks of quinine held by the Government and the policy to be adopted by the Government as regards the production of quinine, it has been suggested to us, first, that the supply and consumption of quinine in the malarial districts of India may not have been developed on a scale desirable having regard to the well-being of the people, secondly, that spurious quinine is being sold in substantial quantities. Further, from our own examination of the position, we have formed the conclusion first, that having regard not only to their own financial interests but also to the proper development of medical benefits for the people, it is desirable that the Government of India should formulate a definite policy as regards the production and distribution of quinine, secondly, that as no such policy can be effectively introduced without some action for encouraging the consumption of quinine, and as this latter side of the matter lies in the hands of the Provincial Governments, the Central Government cannot initiate any effective and businesslike policy without the co-operation of the Provincial Governments. We therefore recommend that the Government of India should investigate this whole question, in consultation with Provincial Governments, without delay.

Grant 66—Indian Stores Department.

54. We find that the figures of net loss in the working of the Indian Stores (Ques-
384—
Department, as given in the Administration Report, differ considerably from the figures in the Appropriation Accounts. A memorandum has been circulated to us by the Audit Officer, Indian Stores Department, explaining the differences (Appendix XII). We desire to record that in future the two sets of figures should be prepared on the same lines or at least on a reconcilable basis.

Grant 73—Refunds.

55. We suggest that the Finance Department should consider whether, in (Ques-
169.)
the case of the non-voted refunds, which represent inevitable items of expenditure, there should be no time limit for the acceptance and sanctioning of re-appropriations and additional appropriations, provided, of course, that the orders are actually passed within the financial year.

Grant 76—Delhi.

56. We are informed that at present the Chief Commissioner is solely and (Ques-
676—
entirely responsible for the preparation of the initial local estimates of all fluctuating charges in his budget and does not obtain any assistance or advice on the subject from his Pay and Accounts Officer. It appears to us that the special knowledge and experience of the Pay and Accounts Officer would be of the greatest value to the Chief Commissioner and that without the aid of these the Chief Commissioner can hardly be expected to frame really accurate budgets. We suggest therefore that the Finance Department should enquire into the possibility of improving the present procedure for the preparation of budgets in areas like Delhi where there is a separate Pay and Accounts Officer.

57. We were informed that the expenditure shown under the head 'Agriculture' (Ques-
681.)
under this grant relates to the maintenance of gardens in the Delhi city and not to the improvement of agriculture in rural areas. We suggest that this should be made clear in future Demands for Grants and Appropriation Accounts, if possible, by the exhibition of the expenditure under the sub-head 'Horticulture'.

Grant 78—Andaman and Nicobar Islands.

58. We suggest that when considering the preparation of accounts of the (Ques-
702.)
dairy farm and the slaughter house on a commercial basis, the Auditor General should consider whether any portion of the loss on the working of these undertakings can properly be charged against Army estimates.

Grants 82 and 83—Expenditure in England under the control of the Secretary of State and the High Commissioner.

59. We recommend that the persistent over-budgeting under these two grants should be brought to the special notice of the Secretary of State and the High Commissioner.

Report of the Accountant General, Posts and Telegraphs.

60. *Paragraph 33 of the Report.*—We consider that the fraud referred to in this paragraph should be taken as an occasion to issue circular instructions, drawing attention to the rules requiring the verification of signatures.

Report of the Accountant General, Railways.

61. *Paragraph 2 of the Annexure.*—We suggest that a further enquiry should be made regarding this case to fix the responsibility for the loss of measurement sheets. We are also of opinion that an entry should be made in the record of service of the Assistant Engineer concerned, though we recognise that his good conduct since then will naturally diminish the effect of such an entry.

62. *Paragraph 6 ibid.*—We desire that legal opinion should be obtained whether criminal proceedings could have been taken in this case.

63. *Paragraph 9 ibid.*—We are not quite satisfied with the explanation given and we endorse the suggestion of the Financial Secretary that the Railway Board should study the elaborate set of rules drawn up by the Army Department regulating the acquisition, custody and relinquishment of State lands and buildings by Military authorities, and consider whether similar rules could not be introduced for the Railways.

64. *Paragraph 12 ibid.*—We are glad to be assured that, since the separation of Railway Finance, considerations of the budgetary position of the Government of India have not been allowed to govern allocation of expenditure between capital and revenue. As regards the relative responsibility of the Railway Board and the Government Examiner for the allocation of the expenditure between capital and revenue, we think that at the time of the preparation of the budget estimates, the Railway Board should make an attempt to bring up-to-date the allocation between capital and revenue, but that the responsibility for checking the actual allocation when the expenditure is actually incurred should lie on the Government Examiner, to whom all the material necessary for making a correct allocation must be made available.

65. *Paragraph 13 ibid.*—As the explanation furnished by the Manager is not quite satisfactory the attention of the Manager should again be invited to the Accountant General's remarks and a more instructive report should be furnished to the Committee next year.

66. *Paragraphs 11 and 93 of the Report.*—We are informed that though, according to the Government of India Resolution regarding the construction of unremunerative lines on the guarantee of a local Government or other local body, the actual loss in the working of such lines ought to be borne by the local Government or other local body, in practice it is generally necessary to limit the liability of these bodies to a definite maximum figure of loss based on such estimates as the Railway Board can frame. We understand that in cases of this kind it has not been the practice to prepare detailed estimates of capital expenditure before arriving at an agreement with the local body, as the cost of preparing such estimates would be wasted if such body were subsequently to decline the terms offered to it. We recommend that before entering into any such agreement with a local Government or other local body, especially in cases involving difficult

construction, detailed estimates should be prepared on the understanding that if the local Government or the local body did not accept the terms offered by the Railway Board, the cost of preparing such detailed estimates would have to be borne by the local Government or the local body concerned.

As regards the Kangra Valley Railway, we refrain from detailed comment first, because it is acknowledged that the case was exceptional and that the procedure followed in that case ought certainly not to be repeated and, secondly, because the matter is now under investigation by the Railway Board.

67. *Paragraph 12 ibid.*—We are very much concerned to hear (Ques 770.) from the Controller of Railway Accounts that the state of affairs regarding Stores Accounts on the East Indian Railway is a very bad one and that it has been so for a long time. We hope a radical alteration of the present procedure and the introduction of machines proposed by the Controller will enable him to evolve order out of the present chaos. We shall be glad to have a report on the situation next year.

68. *Paragraph 30 ibid.*—We are informed that the difference in the figures (Ques 775.) of capital at charge as given in the Administration Report and those given in the Appropriation Accounts is due to the difference in the rate of exchange at which sterling figures have been converted into rupees. We understand that certain proposals of the Auditor General in this connection are still under the consideration of the Railway Board and we recommend that in future an attempt should be made to present the two sets of figures on a uniform basis.

69. *Paragraphs 38 to 40 ibid.*—We recommend that the Railway Board (Ques 779—) should follow a definite policy of adjusting rates on Company-managed lines to rates on State lines, unless in any special case there are definite economic reasons against such a course.

70. *Paragraph 45 ibid.*—Our attention has been called to the fact that the (Ques 782.) increase in expenditure on fuel on the Bengal Nagpur Railway is not due to increased consumption but to higher cost of coal. As there was no general rise in coal prices throughout India, this higher cost has been explained to us as being the result of the fact that the coal (which is supplied from the company's own collieries) consumed in 1927-28 was taken from collieries at a greater distance, the increase therefore being due to higher freight charges. This seems to indicate that the prices of coal charged to the railways are dependent on the cost of production and delivery rather than on the fair market price of the coal. We think that the collieries of the company should be treated as an independent commercial undertaking and that the price charged to the Railways should be a competitive commercial price. This means that a system of proper commercial accounts should be introduced on all collieries worked by Railways and that the loss or profit in working such collieries should be shown separately.

71. *Paragraphs 103 and 104 ibid.*—See paragraph 28 *ante*.

72. We concur in the conclusions and recommendations (*vide Appendix XX*) of the Sub-Committee appointed by us to investigate such of the items in

the Report of the Accountant General, Railways, as were not dealt with in detail by the main Committee.

As regards the sub-paragraph to paragraph 8 of the Report of the Sub-Committee we are satisfied that the points raised by us have for the present been adequately dealt with in the letter addressed by the Railway Board to the Agent, B. N. Railway, but we desire to have a full report next year, on the action taken as a result of this letter.

Report of the Military Accounts Committee.

73. We cordially approve of the change made in the current year in the constitution of the Military Accounts Committee, namely, the substitution of the Controller of Civil Accounts as a member of the Committee in the place of the Army Secretary. We also record our appreciation of the efficient and thorough manner in which the Military Accounts Committee has dealt with the Appropriation Accounts. We concur in the conclusions and recommendations of that Committee.

74. We desire to receive a memorandum from the Army Department on their policy as regards purchases of stores through the Indian Stores Department and whether the Army could increase their purchases through that Department.

75. We consider that the result of the examination of the Financial Adviser mentioned in paragraph 54 of the Military Accounts Committee's report should be communicated to us.

Miscellaneous observations.

76. In the course of our examination this year we have noticed one or two cases where, owing to oversight, there has been a failure to take action on some of the recommendations of our predecessors. In order to avoid such delays in future, we recommend that as soon as the report of this Committee appears, the Finance Department should prepare lists enumerating the points and recommendations, including those in the proceedings attached to the Report, which concern each Department and circulate them to the Departments concerned for immediate action. The Departments concerned should then report by a fixed date what action they have taken as regards each item and further render supplementary returns at regular periods until all the recommendations have been disposed of to the satisfaction of the Finance Department.

77. We have to note that in some cases the representatives of the departments, who appeared before us, have not always been able to answer our questions with full responsibility. We wish to emphasise our view that the officer responsible for the control of any department must always include the control of expenditure and accounts as an important part of his own direct responsibility and should be ready, if necessary, to appear before the Public Accounts Committee.

78. We are glad to note the inauguration this year of the practice of the Financial Secretary being present at all our meetings. This is of great value and we consider that it should be adopted as a regular practice.

79. In view of Sir Frederic Gauntlett's impending retirement and of the fact that this is the last session of the Public Accounts Committee that he will

attend in his capacity as Auditor General in India, we desire to place on record our great and genuine appreciation of the very valuable service which he has consistently rendered ever since the Public Accounts Committee was instituted—service not only to the Public Accounts Committee but also to the Legislature and the Executive Government. Sir Frederic Gauntlett by his devotion to his duties and by his able maintenance of the efficiency and independence of audit has done much to strengthen the financial control of public expenditure and by the advice and guidance which he has at all times generously given, he has greatly assisted the Public Accounts Committee in developing the exercise of its functions and in fulfilling the important part assigned to it under the constitution.

80. In conclusion we desire to acknowledge the services of our Secretary, Mr. K. Sanjiva Row.

GEORGE SCHUSTER.

T. A. K. SHERVANI.

B. DAS.

CHOWDHURY MD. ISMAIL KHAN.

S. C. MITRA.

GANGANAND SINHA.

ABDUL MATIN CHAUDHURY.

K. C. NEOGY.

MD. YAKUB

K. C. ROY.

H. A. J. GIDNEY.

The 26th September, 1929.

V.—PROCEEDINGS OF THE COMMITTEE.

Proceedings of the first meeting of the Public Accounts Committee held on Monday, the 12th August 1929, at 11 a. m.

PRESENT :

(1) The Honourable Sir GEORGE SCHUSTER, *Chairman.*

(2) Mr. T. A. K. SHERVANI.

(3) Mr. B. DAS.

(4) Mr. S. C. MITRA.

(5) Kuunar GANGANAND SINHA.

(6) Maulvi ABDUL MATIN CHAUDHURY.

(7) Mr. K. C. NEOGY.

(8) Maulvi MOHAMMAD YAKUB.

(9) Mr. K. C. Roy.

(10) Sir FREDERIC GAUNTLET, Auditor General.

(11) Mr. J. E. C. JUKES, Controller of Civil Accounts.

(12) Mr. O. A. TRAVERS, Accountant General, Central Revenues.

(13) Mr. A. C. BADENOCH, Director of Commercial Audit.

(14) Mr. B. NEHRU, Deputy Auditor General.

Members.

Were also
present.

The Honourable Mr. E. BURDON, Financial Secretary, *Witness.*

At the outset the Chairman welcomed the members to the deliberations and requested them to allow him some indulgence as he was new to the work. He commented on the enormous volume of business placed before the Committee and appealed to members to co-operate with him in the endeavour to employ the limited time available to the best advantage.

There were two practical ways of furthering this object, first, the preliminary study of specially important subjects for discussion, secondly, the concentration of discussion on points of real importance. As to the first, after mentioning that he hoped to distribute the report of the special committee on military accounts in two days thus giving members ample time before its discussion, he referred to the important question of the discussion of the Public Accounts Committee's report in the Legislative Assembly. He called special attention to the Memorandum (circulated as Appendix V) containing the Government proposals on that matter and hoped that members would carefully study this and, if necessary, consult their party leaders, so that at one of its later meetings the Committee might have a really useful debate on this important matter and, if possible, arrive at a plan which would satisfy all sides. Turning to the second point which he had emphasised at the outset; the Chairman hoped that he could rely on the Committee to help him in concentrating discussion on really important points—that is to say points involving questions of principle. The Auditor General promised to circulate a supplementary memorandum to-morrow mentioning the points which he considered to be really important. The Auditor General pointed out that a

great mass of the work done by him was designedly meant to be educative, especially as to the details of the budget work and the control of expenditure. The Committee need not go into all these details but may concentrate on finding out what was being done to improve the budget system and expenditure control, the scrutiny of individual items being left to the executive government. Mr. Roy then referred to the fact that in 1928 the Government's resolution had been issued in January—and in 1929 only on May 17, and he raised the point whether it was really in order for the Government to issue a resolution on the Public Accounts Committee's report before the Legislature had an opportunity of discussing the report. It was agreed that this point should be considered when Appendix V was being discussed.

2. It was pointed out by Maulvi Mohammad Yakub that 19th was an important Muhammadan holiday. It was therefore decided to hold on the 20th the meetings fixed for the 19th.

3. Mr. Mitra objected to the following sentence in paragraph 5 of Appendix V :—" Strictly the function of the Committee consists in scrutinising the application of the funds voted by the Legislature." It was pointed out by the Chairman that the main object of the whole paragraph was merely to call attention to points which would have to be considered in framing the procedure for a discussion of the Committee's report in the Legislative Assembly, and emphasised that the phrase to which Mr. Mitra had referred did not imply any intention on the part of the Government to alter the practice hitherto followed according to which the scope of the Committee's discussions had been much wider. He, however, appreciated Mr. Mitra's point and his desire not to be taken as acquiescing in any statement which might be held to limit the Committee's functions. He thought that the point could be better made when the time came to discuss the whole of Appendix V fully.

4. The Committee then took up consideration of the Finance Department Resolution (Appendix I) on the Report of the Public Accounts Committee on the accounts of 1926-27 which indicates the action taken on the Report, the statement prepared by the Finance Department (Appendix II) showing the action taken on points raised by the Committee but not dealt with in the Resolution and also the statement simultaneously prepared (Appendix III) showing the recommendations of previous Committees on which action is still outstanding.

5. *Paragraph 1 of the Resolution.*—The members of the Committee desired that the Epitome prepared by the Auditor General should be supplied to the members of the Assembly. They were informed that it would be supplied to all members of the Public Accounts Committee and to such other members of the Assembly as asked for it.

6. *Paragraph 3 ibid.*—The Committee desired to record that opportunities must be found during the session for the presentation of belated supplementary demands to the Assembly, and that, inasmuch as the voting of grants was the primary function of the Assembly, the excuse that time was not available ought in no circumstances to be accepted.

7. *Paragraph 4 ibid.*—The Auditor General pointed out that the system of over-allotment on railways broke down in 1927-28. It was agreed to discuss this matter further when dealing with the Railway Appropriation Accounts.

8. *Paragraph 6 ibid.*—On being questioned by one of the members whether this paragraph meant that the Committee had said the last word on the subject, the Auditor General pointed out that the Committee was perfectly entitled to deal with the financial effects of these schemes which would be brought out in future reports.

9. *Paragraph 7 ibid.*—In reply to the Auditor General's question in paragraph 24 (a) of his letter enquiring whether the scheme prepared by the Officer on Special Duty in the Finance Department is likely to be accepted, Mr. Burdon said that the question was under his consideration. Having regard to the fact that the scheme would necessitate an extension of the pay and accounts office system involving a substantial increase in expenditure and in view of the Secretary of State's recent decision that the separation of accounts from audit should not at present be further extended, he desired to discuss the matter further with Mr. Rajagopalan. The Auditor General stated that he was not satisfied with the existing system.

10. *Paragraph 8 ibid.*—On being questioned by Mr. Das whether the term "new service" was being correctly interpreted on the railway side, the Auditor General explained that it would be found from the Railway Appropriation Report that he was not satisfied with the interpretation of the term on the railway side. It was agreed that the matter would have to be discussed when dealing with the Railway Appropriation Accounts.

11. *Paragraph 9 ibid.*—Mr. Burdon explained that a Resolution embodying the principles recommended by the Public Accounts Committee was to be issued next week and that it would then be the duty of the audit department to point out any individual departures from these principles.

12. *Paragraph 10 ibid.*—The point was raised whether Government have any power to waive revenue which it was authorised to levy under a statute. It was decided to suggest that Government should consider this question and obtain authoritative opinion on the legal position.

13. *Paragraph 11 ibid.*—Mr. Burdon explained that a statement of general principles was issued in June last. The members of the Committee desired that the statement should be circulated to them.

14. *Paragraph 12 ibid.*—The Committee desired to examine the representatives of the Industries and Labour Department and Railway Department on this matter.

15. *Paragraph 13 ibid.*—As regards the point on which action had to be taken by Accounts authorities Mr. Burdon invited a reference to item 11 of Appendix A to the Military Appropriation Accounts and explained that necessary action had been taken by the Financial Adviser, Military Finance: the Auditor General said that he had issued the necessary instructions to all offices under his control.

16. *Paragraph 15 ibid.*—One of the members desired to know whether with the termination of the contract with Messrs. Howard and Co., a contract with any other firm has been entered into. He was informed that no such contract has been entered into and that in the meanwhile supplies were being taken from stocks in hand which were considered excessive.

17. *Paragraph 16 ibid.*—The Committee desired to examine the Financial Adviser, Posts and Telegraphs.

18. *Paragraph 17 ibid.*—Some of the members asked that more helpful facilities should be provided, and it was then proposed that in future a list of all the administration reports available should be circulated to the members of the Committee along with the Appropriation Reports, and that if each member returned the list to the Finance Department marking those reports that he required the marked reports would be sent to him. This was accepted as satisfactory to all members.

19. *Item 4 of Appendix II.*—The Auditor General explained that his recommendations were that Government should introduce a scheme of audit on the company lines which is practically the same as the scheme of audit which has been worked out for application on the State lines after separation of accounts from audit. In view of the existing apprehension that some of the company lines were making insufficient provision for renewals and replacement, the Committee desired that consideration of the scheme should be expedited as far as possible. Mr. Burdon undertook to do so.

20. *Item 20 ibid.*—It was explained that the desirability of having a local accounts office has been accepted and that details are being worked out.

21. *Item 23 ibid.*—Mr. Burdon explained what the proposals of the Government of India were and said that the Secretary of State had approved them.

22. *Item 39 ibid.*—It was explained to the Committee that the Civil Service Regulations have been reprinted: further that amendments to the Civil Service Regulations are now statutory and are published in the Gazette in the form of resolutions and that correction slips are issued by the press direct to the subscribers.

23. *Item 49 ibid.*—The Committee was informed that the information asked for by the Accountant General, Central Revenues (*vide* paragraph 8 of his Report) was furnished to him on the 25th June.

24. *Item 1 of Appendix III.*—Mr. Burdon stated that the Government of India had decided that (1) it was impracticable to withdraw from the existing incumbents any privileges allowed by the existing rules, (2) no action should be taken as regards future recruits to All-India Services until it was known what was to happen to these services in future, and (3) new rules should be framed for new recruits as regards Governor General in Council's services and that an effort should be made to get Local Governments to adopt similar rules for their services. The matter had been mentioned at the last conference of Financial Representatives and Local Governments have been addressed: replies from some of them are awaited.

25. *Item 2 ibid.*—Mr. Burdon invited the attention of the Committee to the memorandum printed as Appendix VI. It was agreed that this should be discussed later.

26. *Item 3 ibid.*—Mr. Burdon promised to consult the Auditor General departmentally later.

27. *Item 4 ibid.*—The Auditor General explained that he has addressed the Accountants General and asked them to consult the Local Governments with regard to the rules as a whole and specially as regards the specific comments made at the conference of financial representatives.

28. *Item 6 ibid.*—Mr. Burdon explained with regard to one aspect of this case that he was arranging to introduce a provision on the civil side similar to that existing on the Army side giving authority to Government for the stoppage of pay and allowances to secure recovery of any public claims.

29. *Item 14 ibid.*—The Auditor General explained that the question was discussed at the conference of Accountants General and the general view at the conference was that the earlier closing of the accounts, which is one of the main objects in view, could only really be attained if for some adjustments at least there was a conventional year instead of the financial year and that the question was being further considered. No change could be made without the concurrence of the Secretary of State.

30. It was agreed that Appendices V and VI should be discussed later. The members were also requested to send to the Secretary any specific suggestions which they may have to make on these Appendices.

At this stage the Committee adjourned till 2-30 p.m.

Proceedings of the second meeting of the Public Accounts Committee held on Monday, the 12th August 1929, at 2-30 p.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

(2) Mr. T. A. K. SHERVANI.

(3) Mr. B. DAS.

(4) Mr. S. C. MITRA.

(5) KUMAR GANGANAND SINHA.

(6) Maulvi ABDUL MATIN CHAUDHURY.

(7) Mr. K. C. NEOGY.

(8) Maulvi MOHAMMAD YAKUB.

(9) Mr. K. C. ROY.

(10) Sir FREDERIC GAUNTLETT, Auditor General.

(11) The Hon'ble Mr. E. BURDON, Financial Secretary.

(12) Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs.

(13) Mr. T. RYAN, Secretary, Industries and Labour Department.

(14) Mr. J. R. T. BOOTH, Joint Secretary, Industries and Labour Department.

(15) Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs.

(16) Mr. B. NEHRU, Deputy Auditor General.

Mr. P. G. ROGERS, Director General, Posts and Telegraphs, *Witness.*

Members.

Were also present.

31. The Committee considered the Appropriation Accounts of the Posts and Telegraphs Department and the Report of the Accountant General thereon, together with the relevant paragraphs of the Auditor General's forwarding letter. There was a preliminary discussion by the Committee. The Departmental witnesses were then called in.

32. *Appendix III to the Report.*—The Committee was informed that the position as regards the various outstanding items of previous years was as follows:—

Item 1.—Adjustments between the Posts and Telegraphs and other Departments. The only important adjustment outstanding under this head is with Foreign and Political Department. This Department was asked to bear losses incurred by the Posts and Telegraphs Department on account of postal and telegraph facilities provided for purely political reasons. The principle that the Foreign and Political Department should bear such losses has been accepted and only certain details have to be worked out. It is expected that the case will be settled soon. According to present calculations the liability of the Foreign and Political Department is assessed by the Posts and Telegraphs Department at Rs. 2,85,000.

Items 2 and 14.—Credits due to the Posts and Telegraphs Department for Railway telegraphs and enhancement of rents due from canal administrations. The conclusions of an officer placed on special duty to examine the question have only recently been completed and are under consideration. No serious delay is anticipated in the settlement of the canals question. The question as regards Railways, however, is a more difficult one and may involve complicated discussion with the Railway Board. The total amount involved is now estimated at about 12 lakhs. The Committee desired to record that the settlement of the item should be expedited as the commercial results of the working of the Department could not be ascertained accurately till this and the other outstanding questions regarding adjustments were settled. The Chairman expressed the hope that the estimate of the period within which the question regarding canals would be settled would be more accurate than on previous occasions.

Item 3.—Pensionary liability of the Department. The Government actuary has completed the calculations and assuming a rate of interest of $4\frac{1}{2}$ per cent. he has arrived at the conclusion that the pensionary liability of the Department should be assessed at $9\frac{1}{2}$ per cent. of the total salary. His report is under the consideration of Government. The Committee desired to record that with the actuary's report now available there should be no further delay.

Item 4.—Separate Profit and Loss account for the Radio Telegraph branch. This will be given effect to in the accounts of the current year.

Item 5.—Transfer of the control of the Indo-European Telegraph Department to India. The Secretary of State has been addressed urging transfer of control and his reply is still awaited. The idea is to bring the whole Department under the control of the Director General, Posts and Telegraphs.

Item 7.—Acceleration of the scrutiny of rates of depreciation and consideration of alternative methods of applying such scrutiny. A memorandum (printed as Annexure 1 to these proceedings) was circulated to members and it was agreed that the item should be discussed at the next meeting after members had read the memorandum.

Item 8.—Utilisation of the accumulations in the Depreciation Fund towards fresh capital outlay. This depends on the decision on item 7.

Item 9.—Remedying defects in the machinery for executing repairs. Some preliminary instructions have been issued. Supplementary instructions will be issued on receipt of information called for from one of the circles in which the system is reported to be working very well. The Auditor General explained that the decision to transfer the maintenance of these buildings to the Posts and Telegraphs Department was the result of a recommendation of the Public Works Reorganisation Committee that mere maintenance work should not be one of the main functions of the Public Works Department. The Committee desired to have a thorough report next year showing how the new system of making Departments responsible for the maintenance of their own buildings has worked so far as the Posts and Telegraphs Department was concerned.

Item 10.—Avoiding over-estimates regarding the requirements of the Radio-Telegraph branch. The difficulty in framing correct estimates was due to the fact that this was a new branch of service. Lump sums have been made in the current year's estimates and experience gained in the working of the Department will be useful in framing more correct estimates in future. The Committee agreed that this item may be taken as settled, though results must still be carefully watched for the future.

Item 11.—Closer estimate of the credit on account of stores returned to stock. The particular case which gave rise to this recommendation was an isolated one. Necessary instructions have been issued and there has been no similar case since then. The item may be taken as settled.

Item 12.—Comparative cost of running the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department. The Director-in-Chief of the Indo-European Telegraph Department has been requested to communicate the results of his detailed enquiry on the subject.

Item 13.—Reduction in the number of detailed account heads. The Financial Adviser has prepared a list of heads to be eliminated and the Accountant General will be requested to eliminate them, if he agreed, from the next year's accounts.

Item 15.—The Committee agreed that this, not being a recommendation included in the main report of the Committee, might possibly have been omitted from this Appendix, but the Committee decided to consider later the question of making an addition to their Report so as to direct the attention of the Departments of the Government of India to minor recommendations included in the proceedings but not separately dealt with in the main report.

33. *Paragraph 7 (a) of the Auditor General's letter.*—This raises the general question of the financial results of the Department. The Chairman enquired

whether the unavoidable annual increase of expenditure in pay and pensions of the staff will be offset by the normal growth of revenue. The Committee desired that an estimate should be made to give an idea of the future commercial prospects of the Department. It was recognised that such an estimate could not be meticulously accurate and that an approximate estimate would suffice.

34. *Paragraph 13 of the Auditor General's letter.*—The Auditor General pointed out that the first report was made by the Accountant General in April 1928. The Director General owing to the absence of certain officials from Simla had been unable before the meeting to collect detailed information explaining the delay in issuing orders. As the Director General was not prepared with the case, the Auditor General remarked that witnesses were expected to be prepared for any question and specially on those matters which are mentioned in his letter. The Chairman endorsed the remarks of the Auditor General and stated that the lack of preparation indicated disrespect to the Committee. The Chairman pointed out that the fraud referred to in this paragraph should be taken as an occasion to issue circular instructions drawing attention to the rules requiring the verification of signatures. The Director General agreed to do so.

35. *Paragraph 14 ibid.*—The Director General explained that the delay in this particular case which was admittedly very great, the recommendation as to punishment having reached him in January 1928, was due to the lack of information on certain points, the collection of which took considerable time. The Director General also explained that during this particular period there were several cases of delay in his office as the move from Calcutta to Delhi disorganised the work. He said that such cases were not likely to recur.

36. *Paragraph 18 ibid.*—A statement (printed as Annexure II) was circulated to the members of the Committee and it was agreed that this should be further discussed at the next meeting.

At this stage the Committee adjourned till 11 a.m. on Tuesday, the 13th August.

ANNEXURE I TO THE PROCEEDINGS OF THE SECOND MEETING.

In paragraph 35 of the Report of the Public Accounts Committee on the Accounts of 1926-27 it was suggested that the scrutiny of the rates of annual contributions to the depreciation fund of the P. & T. Department should be accelerated and alternative methods of scrutiny considered. This suggestion has received consideration and this note is submitted with the object of informing the Public Accounts Committee of the position in which the matter now stands.

2. It may first be pointed out that there is now fairly conclusive evidence in support of the general impression that the lives assigned to the capital assets of the P. & T. Department for the purpose of regulating contributions to the depreciation fund are, in the case of some of the more important assets, too short. It has been ascertained that more than half the total iron wire included in the assets of the department on 1st April 1925 had lasted its full prescribed life by 1926. The original value of this time-expired wire was approximately Rs. 289 lakhs whereas the total expenditure on renewals and replacements of iron wire during the 4 years 1925-26 to 1928-29 amounted to only about Rs. 9½ lakhs. It is therefore clear that the bulk of this iron wire is still in use and likely to remain so far many years to come. In the case of posts, approximately two-thirds of the total number in use (original value Rs. 429 lakhs) will have lasted their prescribed life in 1931. The actual expenditure on renewals and replacements of posts during the same four years is 8½ lakhs and there is no doubt that these posts will not have to be fully replaced for a great many years.

The corresponding figures for copper wire are as follows :—

	Rs.
Original value of wire that has just become time-expired	35½ lakhs.
Actual expenditure on renewals and replacements during the last 4 years—1925-26 to 1928-29	.. .. 3½ lakhs.

The bulk of this copper wire is still in excellent condition and will not need replacement in the near future.

These facts seem to establish beyond doubt the inadequacy of the "lives" at present assigned to posts and lines, which constitute in value more than two-thirds of the total wasting assets of the department. The figures in the statement referred to in paragraph 4 of this note also afford strong confirmation of this conclusion.

3. As the A. G. P. & T. has stated in paragraph 6 of his Report for 1927-28, the D. G., P. & T. has arranged for the maintenance of detailed records of the life history of certain selected assets with a view to obtaining reliable data on which to base revised "lives" for this purpose, but in respect of the bulk and more valuable portions of the assets, owing to their longevity, the results of this investigation are not likely to become available for many years to come.

The only possible alternative methods seemed to be—

- (1) to endeavour to obtain complete information regarding the assets that have recently been replaced or renewed, and
- (2) to revise the prescribed lives on which the annual contributions to the depreciation fund are at present based with reference to a comparative analysis of those contributions and the actual expenditure on renewals and replacements during the last 4 years.

The former alternative has been considered but owing to the incomplete nature of the records maintained in the past regarding the dates and costs of original construction and the behaviour and treatment of particular lines and other assets it held out no promise of yielding any information likely to help towards a solution of the problem. Attention has therefore been devoted to the latter alternative which seems to afford a basis for certain fairly definite conclusions.

4. In the statement attached to this note the contribution to the depreciation fund and the expenditure on renewals and replacements have been compared for each of the four years 1925-26 to 1928-29 in respect of each of the main classes of assets. The present assumed life of each class is also shown. Considering each item separately the following features of this analysis may be noted :—

Buildings.—There is not a very marked disproportion between contribution and expenditure and it seems probable that the average actual life of buildings in this department does not differ very much from the assumed life of 75 years.

Lines and Wires.—Here the disproportion between contribution and expenditure is very striking. As this group comprises assets that have been continuously added to the department during the last 70 years or so the wide divergences between the two sets of figures force one to the conclusion that the "lives" assigned to these items are too short and the contributions consequently too high.

Apparatus and plant.—There is a great disproportion between contributions and expenditure for this class of assets also. Many of the assets included here however, e.g., automatic telephone exchanges and various kinds of telegraph and telephone instruments, are of comparatively recent introduction and it is doubtful whether sufficient time has elapsed to justify the drawing of any very definite conclusions regarding the normal lives of such assets under the conditions obtaining in India, from the figures of the last 4 years. The department should be in a far better position 5 years hence to judge of the suitability of the "lives" at present assigned to these items.

Cables.—The actual lives of this class of assets are very uncertain but the two sets of figures indicate that the lives at present prescribed for cables are if anything on the low side.

Electric installations.—The remarks against 'apparatus and plant' apply to some extent here also.

5. In view of these figures and of the remarks thereon contained in paragraph 4, it would seem as if the only assets in respect of which it may be confidently asserted that the assumed 'lives' are substantially less than the actual lives, are posts, iron wire, and copper wire. The disproportion between the contributions and expenditure is considerably greater in the case of posts and copper wire than in the case of iron wire. The departmental authorities are accordingly inclined to think that the prescribed lives of these three items might safely be increased to the extent indicated below:—

		Present assumed life.	Proposed assumed life.	Percent- age measure.
		Years.	Years.	
Iron wire (telegraphs)	.. .. ..	21	32	33-1/3
Iron wire (telephones)	.. .. ..	10½	14	33-1/3
Copper wire	.. .. .. ..	27	40	50
Posts	.. .. .. ..	30	45	50

If the annual contributions to the depreciation fund were based on these enhanced lives (but see paragraph 6) they would be reduced by approximately Rs. 10 lakhs although still remaining substantially higher than the past average annual expenditure on renewals and replacements. Some allowance must however be made for the possibility that to some extent the department has failed or delayed to carry out necessary renewals and replacements and may consequently have to face abnormally heavy expenditure of this nature in the near future.

6. It is doubtful however whether any alterations in the assumed lives of assets now in existence could be made now without introducing serious complications into the working of the depreciation fund and the revised lives should, it is thought, be applied only to new assets, including of course those in replacement of assets now existing.

7. It may be pointed out in this connexion that although the inadequacy of the assumed lives of assets may have the effect of throwing for a time an unduly heavy burden in the shape of depreciation contribution on the working expenses of the department, eventually when any particular asset has lasted its prescribed period and therefore ceases to contribute to the depreciation fund the department enjoys a compensating relief until the asset comes to the end of its true life and has to be replaced. This is illustrated by the decrease of nearly Rs. 5 lakhs that will be noticed in the amount of contribution on account of iron wire that occurred in the year 1926-27. A similar decrease of even greater amount will occur in the year 1930-31 in respect of the contribution for posts and copper wire. (See in this connexion paragraph 2 of this note.) These fluctuations in the amount of contribution, however, have a disturbing effect upon the working expenses of the department and so tend to defeat the main object of a depreciation fund. The lengthening of the annual lives as suggested in paragraph 5 of this note would to some extent at least remove this defect.

Statement comparing the Annual Contributions to the Depreciation

Class of asset.	Present assigned life.	1925-26.		1926-27.	
		Contri-bution.	Renewals and Replace-ments.	Contri-bution.	Renewals and Replace-ments.
	Years.	Rs.	Rs.	Rs.	Rs.
Buildings	75	56,921	1,52,985	1,02,521	72,213
Lines and wires—					
Posts	30	9,39,189	1,47,714	11,42,580	2,33,164
Iron wire (telegraphs) ..	2½	8,94,566	1,63,126	3,13,028	1,97,277
Iron wire (telephones) ..	10½	98,545	3,747	1,01,867	10,369
Copper wire	27	4,13,039	1,10,520	5,06,355	69,033
Total lines and wire ..	..	23,45,339	4,25,107	20,63,830	5,09,813
Apparatus and plant—					
Accumulators	8	1,00,748	1,829	1,12,316	29,194
Manual exchanges ..	12	52,056	3,21,853	57,520	—1,504
Automatic exchanges ..	20	65,286	3,842	87,047	507
Subscribers' affording ..	8	1,26,245	10,752	1,33,753	69 566
Masts and aerials ..	30	12,863	.. ..	15,255	524
Other items	12 to 20	2,13,632	38,124	2,28,287	1,11,701
Total apparatus and plant ..	..	5,70,830	3,76,400	6,34,178	1,41,057
Electric installations .. ..	..	22,255	4,434	36,311	6,503
Cables	12 to 24	35,627	68,372	46,928	74,829

Fund with the annual expenditure on Renewals and Replacements.

1927-28.		1928-29.		1929-30 (Esti- mates).	Total for 4 years 1925-26 to 1928-29.	
Contri- bution.	Renewals and Replace- ments.	Contri- bution.	Renewals and Replace- ments.		Contri- bution.	Renewals and Replace- ments.
Rs.	Rs.	Rs.	Rs.		Rs.	Rs.
1,25,698	72,834	1,22,726	21,021	..	4,07,866	3,19,053
11,87,509	1,93,346	11,93,567	2,74,798	..	44,62,845	8,49,022
3,45,807	1,64,856	3,59,693	3,94,237	..	19,13,094	9,19,496
1,14,215	6,783	1,18,009	—903	..	4,32,636	19,996
5,39,765	55,128	5,49,017	1,14,853	..	20,08,176	3,49,504
21,87,296	4,20,113	22,20,286	7,82,985	..	88,16,751	21,38,018
..						
1,21,110	82,763	1,25,195	36,337	..	4,59,369	1,50,123
65,948	9,857	72,203	471	..	2,47,727	3,30,677
90,250	—1,077	89,389	5,214	..	3,31,972	8,486
1,39,176	14,418	1,47,446	—17,893	..	5,46,620	7,909
15,388	..	15,174	3,836	..	58,680	4,360
2,61,961	1,26,577	2,65,909	20,035	..	9,69,789	2,96,440
6,93,833	2,32,538	7,15,316	48,000	..	26,14,157	7,97,995
..						
84,354	12,169	91,067	19,076	..	2,34,020	42,185
53,029	70,303	58,833	—17,958	..	1,94,417	1,95,537

ANNEXURE II TO THE PROCEEDINGS OF THE SECOND MEETING.

With the object of saving the time of the Committee and obviating a good deal of repetition in connection with the enquiry regarding the Appropriation Accounts of the Indian Posts and Telegraphs Department the following remarks of a general character are submitted for the Committee's consideration. It is admitted that the results of the year 1927-28 indicate serious defects in budgeting and in control over expenditure and efforts have been and are being made to eradicate the defects so far as possible. The task of preparing the budget and revised estimates for the year under review however was rendered exceptionally difficult owing to a number of special and abnormal causes of which the following were the more important :—

- (1) The whole scheme of classification of receipts and expenditure of the Indian Posts and Telegraphs Department was revised with effect from the year 1925-26 with the reconstitution of the accounts on commercial lines and in consequence complete actuals for only one year (1925-26) were available under the new heads at the time of preparing the budget estimates. Even these actuals were to some extent vitiated by numerous misclassifications. As budgeting must necessarily depend largely upon past actuals the Department was severely handicapped in this respect. The preparation of the revised estimates for the year 1927-28 also was hampered though to a less degree by the same cause.
- (2) During both the years 1926-27 and 1927-28 numerous improvements in the scales of pay and allowances and other concessions were sanctioned for various classes throughout the Department ; the problem of estimating the financial effect of some of these measures was extremely difficult as the extent of the benefit in any particular case could only be ascertained from an examination into the details of the past service of the individual affected. Most of the first claims submitted in accordance with these sanctions had to be pre-audited and a large number of appeals were preferred against the Audit decisions in particular cases ; consequently, the final settlement of the claims was spread over a considerable period and a large number of appeals were preferred against the audit decisions in particular cases.
- (3) The budget for the year 1927-28 was the first to be prepared and submitted wholly by the Director-General's office in which a separate budget section was formed for the purpose in October, 1926. Owing to inexperience of the amount of routine work connected with the preparation and submission of a budget estimate this section was at first inadequately manned and had in consequence to work under extreme pressure, to the detriment of the actual budgeting.

2. In passing judgment upon the excesses and lapses that form such a regrettable feature of the accounts now under consideration, it is hoped that these difficulties will not be overlooked.

3. If the expenditure for the year is compared on broad lines with the sanctioned grants, it will be found that on the whole there was a distinct improvement in the results of 1927-28 over those of 1926-27.

	1926-27.			1927-28.		
	Total of sanctioned grants.	Actual expenditure.	Excess + Lapse—	Total of sanctioned grants.	Actual expenditure.	Excess + Lapse—
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Voted.</i>						
Grant No. 23 (Revenue).	10,29,48	10,00,88	—28,60	10,54,17	10,62,26	+8,09
Grant No. 87 (Capital).	60,89	34,25	—26,64	59,90	49,34	—10,56
<i>Non-Voted.</i>						
Grant No. 23 ..	72,69	64,60	—8,09	70,83	67,64	—3,19
Grant No. 87 ..	8	4	—4	20	19	—1
<i>Voted and Non-Voted combined.</i>						
Grant No. 23 ..	11,02,17	10,65,48	—36,69	11,25,00	11,29,90	+4,90
Grant No. 87 ..	60,97	34,29	—26,68	60,10	49,53	—10,57

The sanctioned grants shown above include supplementary grants voted by the Assembly or sanctioned by the Finance Department. It may be pointed out that the large supplementary grant sanctioned by the Assembly in 1927-28 was necessitated almost entirely by the arbitrary lump cuts which the Finance Department, guided no doubt by past experience of heavy lapses in this department, made after the estimates had been submitted by the Director-General. The results as exhibited above indicate that the tendency to overestimate requirements received a definite check in 1927-28 and it is hoped that the continuous attention that is now being devoted to the improvement of the arrangements for budgeting and controlling expenditure in the Posts and Telegraphs Department will be reflected in the closer agreement between budget grants and actuals in the future.

Proceedings of the third meeting of the Public Accounts Committee held on Tuesday, the 13th August 1929, at 11 a.m.

PRESENT:

(1) The Hon'ble Sir GEORGE SCHUSTER	..	Chairman.
(2) Mr. T. A. K. SHERVANI	..	Members.
(3) Mr. B. DAS	..	
(4) Mr. S. C. MITRA	..	
(5) Kumar GANGANAND SINHA	..	
(6) Maulvi ABDUL MATIN CHAUDHURY	..	
(7) Mr. K. C. NEOGY	..	
(8) Maulvi MOHAMMAD YAKUB	..	
(9) Mr. K. C. ROY	..	
(10) Lieutenant-Colonel H. A. J. GIDNEY	..	
(11) Sir FREDERIC GAUNTLETT, Auditor General	..	Were also present.
(12) The Hon'ble Mr. E. BURDON, Financial Secretary	..	
(13) Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs.	..	
(14) Mr. T. RYAN, Secretary, Industries and Labour Department.	..	
(15) Mr. J. R. T. BOOTH, Joint Secretary, Industries and Labour Department.	..	
(16) Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs.	..	
(17) Mr. B. NEHRU, Deputy Auditor General	..	

Mr. P. G. ROGERS, Director General, Posts and *Witness.*
Telegraphs.

37. The Committee resumed consideration of the Posts and Telegraphs Appropriation Accounts and the Accountant General's report thereon. The two memoranda circulated by the Department on the previous day were first taken up.

38. *Appendix III, item 7.*—The Auditor General observed that it was incorrect in principle to compare the contribution in any one year with the amount actually spent on renewals and replacements in that year because the contribution is intended to meet renewals and replacements at the end of their effective life. He also suggested that, if any changes are to be made in the estimated life, such changes should be made not merely in regard to new accruals as proposed in the memorandum but also in regard to existing assets. It was pointed out that the difficulty in accepting this suggestion was that in many cases the actual date when a particular asset came into existence is not known. The Chairman observed that they could not go into a discussion of details as regards the life of particular assets and that it would be incorrect to consider the accuracy of the rules regarding depreciation without considering at the same time the accuracy of the other bases of the commercial

settlement. For example, as the capital on which the Department is now paying interest is very much smaller than what it would be if the whole undertaking had been commercialised from the very beginning and as it would increase as the old assets were replaced by new ones, he considered that the depreciation allowance now being paid, if it was on the high side, which he doubted, might be taken as a set-off against the low interest now paid by the Department. He also invited attention to the question raised on the previous day whether the increase of expenditure due to the new rates of pay and allowances recently introduced will be more than offset by the normal growth of revenue. He therefore suggested that the Committee might content itself with recording an observation that the question of the contribution to the depreciation fund should be carefully watched, that an accurate attempt should be made to estimate the life of each asset and that a careful report should be placed before the Committee every year with a statement from the Auditor General that he has satisfied himself that nothing substantially uncommercial is being done viewing the position as a whole. Some of the members were not inclined to accept the continuance of the high rate of contribution to the depreciation fund. One of the members raised the question whether it was right to charge interest on the capital assets existing on the 1st April 1925 and whether they should not be treated as a present from the general taxpayer to the Department. It was pointed out to him that when once the principle of commercialisation has been accepted, the charge for interest on capital assets follows automatically. It was also pointed out that Sir Arthur Dickinson had recommended changes in the rules governing allocation and that if Government accepted his recommendations there would have to be substantial changes in the rates for depreciation. The Chairman pointed out the dangers in the situation which are the necessary consequences of the terms on which the Posts and Telegraphs undertakings were taken over by the Department and called particular attention to the feature that the provision for depreciation on certain assets was automatically cut out altogether when the assumed life of an asset was completed although that asset might continue in use. This feature in the present system directed attention to a particularly serious danger in the situation. Reference had been made in the course of discussion to the possibility of the depreciation provision being too high. But he thought that the reverse was probably the case. To illustrate the meaning he asked the Committee to consider the following possible example of the sort of thing which might happen under the present system. Suppose a particular telegraph line which had cost Rs. 1,00,000 and was regarded as having a 25 years' life had been in existence for 20 years when taken over. Roughly speaking it would then have been depreciated to the extent of $4/5$ of its value and would be taken over at Rs. 20,000. The department would then pay interest at, say, 5 per cent., i.e., Rs. 1,000 and depreciation at 4 per cent. (on a basis of a 25 years' life) on the original value, say, Rs. 4,000, i.e., total deduction Rs. 5,000 per annum. At the end of a further 5 years there would be Rs. 20,000 in the depreciation fund. If it was then found that the line was serviceable its use would continue, but *no further allocation for depreciation would be made* under the present system. The department would therefore only continue paying Rs. 1,000 in interest. At the end of another 5 years, say, the line might have to be replaced at an enhanced cost of, say, Rs. 1,50,000. The charges would then suddenly

jump up to Rs. 7,500 interest and Rs. 6,000 depreciation so that instead of paying Rs. 1,000 per annum there would be a sudden increase to Rs. 13,500. This sort of process if multiplied in regard to many items would completely upset the commercial position, and if, in the meanwhile, reduction in rates had been introduced, there might be serious difficulties. In his opinion the situation should be examined as a whole and the Committee had not sufficient information at present to deal with the question. The Chairman therefore threw out a suggestion that a committee of the Legislative Assembly might be set up to consider the financial results of the various orders which had been passed so as to enable the Department to work on a commercial basis, and to advise whether any changes should now be made. The Department would have to prepare a memorandum on which the Committee would work and this memorandum might deal with the matters mentioned in the proceedings of the second meeting as well as the matters referred to above. He said that before the Committee makes a final recommendation of the sort, he would like to consult the Hon'ble Member in charge of the Industries and Labour Department.

39. *Paragraph 18 (a) of the Auditor General's letter and paragraph 57 of the Accountant General's Report.*—The Chairman referred to the general memorandum circulated by the Department dealing with the difficulties of budgeting which they had in this particular year and he hoped that future years would show better results. The Auditor General questioned why the supplementary grant of Rs. 20,11,000 obtained from the Assembly in March 1928 was so inadequate. The Financial Adviser explained that the supplementary grant was based on nine months' actuals and in calculating the amount required for the remainder of the year they had to make certain assumptions regarding the effect of the revision of pay and allowances which were not justified by results.

40. *Paragraph 19 of the Auditor General's letter and paragraph 58 of the Accountant General's Report.*—The Committee accepted the suggestion of the Auditor General that the amount of the supplementary grant, like that of the original grant, should be distributed between the various sub-heads and demand units.

41. *Paragraph 20 of the Auditor General's letter and paragraph 59 of the Accountant General's Report.*—The Auditor General stated that this raised the important point whether reappropriations should be made in the course of the year when the necessity for expenditure is foreseen or whether only lump reappropriations should be made at the end of the year. He explained that, if the former course were adopted, it would enable the account officers to help the departmental officers in watching the progress of expenditure, whereas, if the latter course were adopted, the account officers would be able to give no help whatever. The Committee agreed that, in order to enable the departmental officers to watch the progress of expenditure, it was necessary that reappropriations should be sanctioned when the necessity for additional expenditure was found.

42. *Paragraph 25 of the Auditor General's letter and paragraph 66 of the Accountant General's Report.*—The Committee hoped that as the difficulties of budgeting pointed out in the memorandum had now disappeared, better results would be shown in future.

43. *Paragraph 27 of the Auditor General's letter and paragraph 69 of the Accountant General's Report.*—The Director General pointed out that the printing of the manuals was foreseen and that a sum of Rs. 80,000 was provided on this account, but the excess was due to additional stationery, etc., supplied to the Department and that they had to depend entirely on the Controller for estimates under this head. He also pointed out that since the transfer of the Controller's office to Delhi there was closer co-operation between the two and that this would lead to better budgeting in future.

44. *Paragraph 33 (b) of the Auditor General's letter and paragraph 80 of the Accountant General's Report.*—The Financial Adviser explained that the percentage was being revised every year in consultation with the Accountant General and that the results have since improved.

45. *Paragraph 34 of the Auditor General's letter and paragraph 85 of the Accountant General's Report.*—The Director General mentioned that the Government of India have addressed the India Office with regard to the comments of the Auditor General and have drawn the attention of the Director-in-Chief to them.

46. *Paragraph 44 of the Auditor General's letter and appendix IV to the Accountant General's Report.*—A memorandum* on the subject explaining the whole position was circulated to the members of the Committee. The Auditor General said that, if he had been consulted before about this case, it would not have been included in the report. He explained that a new station was built at Lucknow on a great scale of elaboration and what the Posts and Telegraphs Department was now being asked to pay is the rental for a room in the new station for its railway mail service, which is based on the capital cost of building the station. It was also explained that the Railway Mail Service must be housed in the station. The Committee agreed that if this sort of case were to occur on a large scale some remedial measures would be necessary.

47. *Paragraph 14 of the Accountant General's report.*—On being questioned by one of the members whether the rates for foreign telegrams could not be increased seeing that the branch was being run at a loss, the Director General explained that the rates for foreign messages were fixed by an international agreement and also from a commercial point of view in order to attract traffic.

48. Mr. Roy raised the point that some of the trunk telephone lines competed unduly with the telegraph lines. The Chairman suggested that in view of the increasing competition between telephones and telegraphs the Committee should suggest that a revision of the relative rates of the two might be undertaken with a view to securing the maximum of economic results.

At this stage the Committee adjourned till 2-30 P.M.

* Not printed.

Proceedings of the fourth meeting of the Public Accounts Committee held on Tuesday, the 13th August 1929, at 2-30 p.m.

PRESENT:

(1) The Hon'ble Sir GEORGE SCHUSTER	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI	
(3) Mr. B. DAS	
(4) Mr. S. C. MITRA	
(5) Kumar GANGANAND SINHA	
(6) Maulvi ABDUL MATIN CHAUDHURY	
(7) Mr. K. C. NEOGY	
(8) Maulvi MOHAMMAD YAKUB	
(9) Mr. K. C. ROY	
(10) Lieutenant-Colonel H. A. J. GIDNEY	
	<i>Members.</i>
(11) Sir FREDERIC GAUNTLETT, Auditor General ..	
(12) The Hon'ble Mr. E. BURDON, Financial Secretary ..	
(13) Mr. J. E. C. JUKES, Controller of Civil Accounts ..	
(14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(15) Mr. A. C. BADENOCH, Director of Commercial Audit ..	
(16) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.	
(17) Mr. P. M. RAU, Audit Officer, Indian Stores Department.	
(18) Mr. B. NEHRU, Deputy Auditor General ..	
	<i>Were also present.</i>

Mr. A. H. LLOYD, Member, Central Board of *Witness.*
Revenue.

48. The Committee took up the consideration of the Appropriation Accounts relating to the Central Board of Revenue together with the relevant paragraphs of the Appropriation Report of the Accountant General, Central Revenues and of the Auditor General's letter in that connection.

49. *Appendix III, item 5.*—Mr. Lloyd said that the subject might be divided into the two parts, first, the improvement of the immediate check upon appraisements at the time when bills of entry covering the goods are being put through and second, other checks which might be regarded as audit checks. As regards the first part, the Committee was informed that with effect from 1st April 1929 a large number of superior officers described as Principal Appraisers have been appointed at Calcutta and Bombay to ensure that every appraisement is scrutinised by a superior officer immediately after the original appraisement, and the results of the experiment were being watched before introducing the scheme in other ports. He considered the second part of the scheme as less urgent and said that the report of the officer on special duty in the Finance Department was now under the consideration of that Department. Mr. Burdon mentioned that he had not satisfied

himself on the merits of the scheme or its necessity, that he proposed to discuss the question with Mr. Rajagopalan as soon as possible and proposals would very probably be placed before the Standing Finance Committee in the cold weather with the prospect of the scheme being introduced with effect from next financial year if the Standing Finance Committee approved of the scheme on its merits and also if funds could be provided in the next year's budget. Mr. Rajagopalan explained that the recurring expenditure of his scheme, which included not only the customs but also the other Departments under the Central Board of Revenue, was estimated at about Rs. 3½ lakhs per annum. The Auditor General explained that the main difference between the present system and the proposed system was that whereas under the present system audit is conducted by one officer who tours throughout India, under the proposed system a small number of people would be working directly and permanently in some of the more important Customs Houses and that an experiment of the new system was introduced in Calcutta in 1925, the main advantage of the new system being that it enabled the officer to pick up points in which it was still possible to obtain money for goods which had been under-valued or under-assessed, whereas under the old system all that could be done was to obtain the orders of the superior authority as to the correct method of valuation in the future. The Chairman desired to know whether the experiment at Calcutta paid for itself. The Auditor General explained* that the experiment at Calcutta practically paid for itself in the first year and that no statistics have been collected for later years. He promised to furnish the figures for the first year. He also emphasised that the value of audit can never be determined merely by the actual recoveries effected but by the deterrent effect upon the people through whom the money must come. The Chairman suggested and the Committee agreed that it is, as a matter of principle, desirable that the most effective form of audit should be applied, but that the cost must be taken into account and in this particular case the Committee was prepared to give the Finance Department an opportunity to study the details more thoroughly before making a final recommendation. It also desired that an early decision should be arrived at by the Finance Department.

50. *Appendix III, item 9.*—The Chairman explained that a full list of necessary amendments to the Sea Customs Act had now been fully settled and that the question of what form of legislation should be introduced and when, would be settled in the course of the following week.

Grant 73—Refunds.

51. *Paragraph 25 of the Accountant General, Central Revenues' Report and page 439 of the Appropriation Accounts.*—Mr. Lloyd explained that the excesses in these cases were mainly due to unforeseen causes, such as judgment of the High Court, etc. He, however, promised to draw the attention of the Commissioners of Income-Tax to the fact that they must not be misled into thinking that because payment in the case of refunds has to be made regardless of budget considerations, there is any less urgent need to obtain additional appropriations as soon as the necessity is foreseen. In this connection, the Auditor General called attention to several cases in which the Finance Department refused to sanction additional allotments in March. Mr. Burdon explained that

* This was done at the next meeting.

15th January was the latest date by which proposals for re-appropriations and supplementary grants should normally reach the Finance Department but that in special cases proposals are accepted up to the 10th March and in very exceptional cases up to the 20th March, after which no such proposals are taken into consideration. He said that it was essential to prescribe a date in order to prevent a flood of applications on the 31st March. The Committee desired that the Finance Department should consider whether in the case of non-voted refunds which are inevitable items of expenditure, re-appropriations and additional appropriations may not be sanctioned till the 31st March.

Grant 16—Customs.

52. Mr. Das raised certain questions about the Viramgam Customs line and the position was explained to him by the Chairman.

53. *Paragraph 25 (a) of the Auditor General's letter and page 46 of the Appropriation Accounts.*—The position was explained by Mr. Burdon as follows: Under the arrangement in force at present, when a new item of expenditure is sanctioned and it is not possible to meet it by re-appropriation, funds to cover it are sanctioned from the small single reserve at the disposal of the Finance Department and a supplementary grant is obtained from the Legislative Assembly later on. There are thus two grants to cover one item of expenditure and one of them has to be surrendered. Hitherto the grant given by the Legislative Assembly was surrendered but he was now inclined to think that the procedure should be the reverse and that the correct procedure would be to surrender the appropriation from the reserve. He stated that that procedure would be followed in future. As regards the question whether the reserve serves any purpose, it was explained that the real object of having a reserve is that, if there is no reserve and in any individual case the expenditure cannot be met by re-appropriation, a supplementary grant obtained for meeting that expenditure will cause an excess over the total budget provision for expenditure during the year, whereas if, in similar circumstances, there is a reserve, that result need not ensue and on that ground it was desirable to have a reserve. He agreed to refer the matter to the Auditor General for any further comments.

54. *Paragraph 25 (b) of the Auditor General's letter and page 48 of the Appropriation Accounts.*—The Auditor General explained that in a great many cases he has called attention to cases of over-budgeting so that executive authorities may notice this point and take action to reduce the budget provision in future under those heads and that it was not necessary for the Committee to go into each and every such item. Mr. Burdon explained that as regards the provision for pay of establishments, instructions were issued by the Finance Department in September 1928 to Accounts Officers to propose lump cuts under this head with reference to the previous actuals and that when two or three years' results are available, it should be possible to arrive at a lump cut which would approximate very closely to the results.

Grant 18—Salt.

55. The Auditor General called attention to the very large savings in the grant for the Northern India Salt Revenue Department. Mr. Lloyd said that there was a progressive improvement in accuracy of budgeting and he expected the 1928-29 results to show a further improvement;

that in a manufacturing Department like this it was extremely difficult to frame an accurate budget, as expenditure must automatically depend on the output which itself depended on a number of factors. He, however, recognised that there has been some over-budgeting and said that he was constantly trying to bring it down.

56. *Paragraph 27 (c) of the Auditor General's letter and page 62 of Accountant General, Central Revenues' Report.*—The Chairman said that subsequent experience has proved that the stock was unduly low and that every possible effort was being made to increase it. He also referred to the fact that nearly ten lakhs of maunds of salt were washed away by the floods this year.

57. *Paragraph 27 (f) of the Auditor General's letter and page 62 of the Accountant General, Central Revenues' Report.*—Mr. Lloyd explained that salt was made in two different ways—(1) rock salt taken from the ground, as in Khewra, etc., and (2) by evaporation. In the first case, payment is made by weighment; in the latter case salt is taken in truck loads of known capacity, levelled off at the top and that is regarded as a sufficiently accurate approximation to the actual weight. As a justification for this practice he pointed out the disproportionate cost which would be involved if salt was to be weighed in as well as out in these cases. The cost of the manufacture of salt is only one or two annas per maund and the cost of weighment works out to about 4 pies a maund.

The Committee adjourned at this stage to 11 A.M. on Wednesday, the 14th August 1929.

Proceedings of the fifth meeting of the Public Accounts Committee held on Wednesday, the 14th August 1929, at 11 a.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	} Members.
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) KUMAR GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. Roy.	
(10) Sir FREDERIC GAUNTLETT, Auditor General.		} Were also present.
(11) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(12) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(13) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(14) Mr. A. C. BADENOCH, Director of Commercial Audit.	
(15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.	
(16) Mr. P. M. RAU, Audit Officer, Indian Stores Department.	
(17) Mr. B. NEHRU, Deputy Auditor General.	

Mr. A. H. LLOYD, Member, Central Board of Revenue. *Witness.*

58. The Committee resumed the discussion of the Appropriation Accounts relating to the Central Board of Revenue.

Grant 18—Salt.

59. *Paragraph 27 (l) of the Auditor General's letter and page 74 of the Appropriation Accounts, paragraph 1.*—Mr. Lloyd admitted that there has been over-budgeting and said that the Central Board of Revenue is constantly communicating with heads of Departments on this point and impressing on them the necessity of budgeting more closely. The Auditor General explained that such cases were brought to notice by audit in order that the persons responsible for checking the estimates at headquarters may make a cut under the particular heads.

60. *Paragraph 27(m) of the Auditor General's letter and page 74 of the Appropriation Accounts, paragraph 2.*—Mr. Lloyd explained that the re-appropriations were sanctioned to meet the cost of the Viramgam Customs establishment but the head of the Department did not scrutinise as the work proceeded whether the re-appropriations were in fact necessary. The case was a special one for the circumstances were exceptional.

61. *Paragraph 27 (n) of the Auditor General's letter and pages 75 and 76 of the Appropriation Accounts.*—The Chairman explained that the policy of Government is not to make a profit but to sell the salt at cost price. Therefore, if the Committee wished to check the efficiency of the department they should scrutinise rather *costs* than *profits*. It was also explained that in view of the losses incurred in the last 3 years prices have recently been raised and that these prices have been fixed not directly with reference to the cost of production in a particular source but so as to arrive at a cost of production at each source which shall enable markets which can most conveniently be supplied therefrom to be so supplied and yet keep the average sale price throughout the Department equal to the average cost of production. The Committee then discussed various items in the cost sheet of salt on pages 68 and 69 of the Appropriation Accounts and the Sambhar Development and Khewra electrification schemes. The Committee agreed to insert a passage in the report to the effect that an examination of the accounts for 1927-28 reinforces the recommendation made by the Committee in paragraph 18 of their report last year and that the Committee reserves further recommendations until it has had an opportunity of considering and examining a special full report on the commercial results which is to be placed before the Committee next year. It was also agreed to leave the form of this special report to be settled by the Director of Commercial Audit in consultation with the Central Board of Revenue. Mr. Das suggested that the discussions in the Committee during the last few years on this subject should be forwarded to the Tariff Board and this was agreed to by Mr. Lloyd. The question of introducing a commercial system of accounts in Government salt producing sources in the provinces was then discussed and Mr. Lloyd promised to undertake an examination of the question. The Committee desired to record that the commercial system should be introduced in all other Government salt producing undertakings.

Grant 19—Opium.

62. *Paragraph 28 (d) of the Auditor General's letter and page 81 of the Appropriation Accounts, note 2.*—Mr. Lloyd explained that this was neither a new service nor a new instrument of service but only a replacement. The Auditor General suggested that in the circumstances it need not be treated as a "new service" and that the Committee need not go into further details. The Committee agreed.

The Committee adjourned till 11 A.M., on Thursday, the 15th August 1929.

Proceedings of the sixth meeting of the Public Accounts Committee held on Thursday, the 15th August 1929, at 11 a.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	Members.
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) KUMAR GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Sir FREDERIC GAUNTLETT, Auditor General.		Were also present.
(11) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(12) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(13) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(14) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.	
(15) Mr. P. M. RAU, Audit Officer, Indian Stores Department.	
(16) Mr. B. NEHRU, Deputy Auditor General.	
Mr. T. RYAN, Secretary, Industries and Labour Department.	Witnesses.
Lieutenant-Colonel F. C. SHELMERDINE, Director, Civil Aviation.	
Lieutenant-Colonel K. M. KIRKHOPE, Chief Controller of Stores.	
Rai Bahadur J. P. GANGULI, Under Secretary, Industries and Labour Department.	
Mr. R. R. REAKS, Assistant Chief Controller of Stores, Indian Stores Department.	

63. The Committee took up the consideration of the Appropriation Accounts relating to the Department of Industries and Labour.

GRANT 60—AVIATION.

64. *Paragraph 19 of the Home Auditor's Report on the accounts of the Secretary of State.*—As regards the payment of £55,000 in 1927-28, Mr. Burdon explained that the work was in essence a contribution work, where, under our own procedure, prepayment by the party on whose behalf the work is constructed is normally necessary. As regards the accounting point, the

Auditor General said that he has written to the Home Auditor stating that a departure from principle was made merely to meet practical difficulties that were apprehended.

GRANT 47—METEOROLOGY.

65. *Paragraph 43 of the Auditor General's letter.*—The Committee was informed that a lump provision was made in the budget for all expenditure including Works in connection with the transfer of the headquarters of the Department to Poona.

Mr. Das then pointed out that the expenditure on this subject was growing in spite of the recommendations of the Ineheape Committee to abolish the Department altogether and enquired whether the Military Department was bearing any portion of the expenditure for services rendered to the Royal Air Force. As regards the first point, the Chairman said that although as responsible for the finances of the country at present he must search every where for possible economies, he thought it would be a very regrettable thing if India were to fall behind the rest of the world in its scientific services of this kind. He also pointed out that the need for a meteorological service in connection with aviation had developed considerably since the time of Lord Ineheape's report. As regards the second point, he desired to have a report next year analysing the services which were rendered by the Department to the Royal Air Force and the reciprocal services rendered by latter in the study of meteorology, new routes for Civil Aviation or otherwise. The report should mention specifically those activities which the Department would not have undertaken but for the Royal Air Force. The Chairman deprecated any attempt at meticulous accuracy as regards claims and counter claims during the present experimental period.

GRANT 66—INDIAN STORES DEPARTMENT.

66. Colonel Kirkhope explained in detail why his Department was not self-supporting at present and said that it was not likely to be self-supporting until he got more orders from the Army and Railway Departments. He regarded the latter as holding the key to the situation and asserted that unless all Railway orders were passed through his Department, it could not pay its way. He also explained in detail what is being done by the Department in the matter of assistance to and encouragement of Indian industries.

The Committee then adjourned for lunch till 2-30 P.M.

Proceedings of the seventh meeting of the Public Accounts Committee held on Thursday, the 15th August 1929, at 2.30 p.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	Members.
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Lieutenant-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT.	Were also present.
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.	
(16) Mr. P. M. RAU, Audit Officer, Indian Stores Department.	Witnesses.
(17) Mr. B. NEHRU, Deputy Auditor General.	
Lieutenant-Colonel K. M. Kirkhope, Chief Controller of Stores, Indian Stores Department.	
Rai Bahadur J. P. GANGULI, Under Secretary, Department of Industries and Labour.	
Mr. R. R. REAKS, Assistant Chief Controller of Stores, Indian Stores Department.	
Mr. TIN TUT, Deputy Secretary, Department of Industries and Labour.	
Mr. E. V. GREGORY, Assistant Controller of Stationery and Printing.	

67. The Committee resumed consideration of the Appropriation Accounts relating to the Department of Industries and Labour.

68. As regards Indianisation, Colonel Kirkhope explained that (1) there were now 30 Indian and 33 non-Indian Gazetted officers against 2 Indians and 14 non-Indians in 1922, (2) there were difficulties in getting Indian applicants who had been through a proper workshop training and this limited the possibilities for filling all the appointments from among Indians, and (3) in order to get over this difficulty they were now trying to provide facilities for giving practical workshop training to Indians.

69. Mr. Das pointed out that the figures of net loss in the working of the Department as given in the Administration Report differed considerably from the figures in the Appropriation Accounts of the Accountant General. As it was

found difficult to reconcile the two sets of figures, the Committee desired to record that in future the two sets of figures should be prepared on the same or at least a reconcilable basis, and that next year a report, prepared in collaboration with the Audit Officer, should be placed before the Committee reconciling the two sets of figures for previous years.

70. A suggestion was made that the Committee should recommend that the Government of India should order the various Departments to place more orders with the Indian Stores Department or that a Committee of the Assembly should be appointed to consider the future of the Department. The Chairman stated that he was in sympathy with the general intention of the recommendation, but he suggested, with the approval of the Committee, that consideration of the exact wording to be adopted should stand over until the time came for drafting the report.

GRANT 43—GEOLOGICAL SURVEY.

71. *Paragraph 44 of the Auditor General's letter.*—The Committee was informed that since 1928-29 the question of lump cuts under individual heads has been adopted.

GRANT 59—INDUSTRIES.

72. *Paragraph 51(a) of the Auditor General's letter.*—As regards the large savings under the head, the Committee was informed that the school was started only in 1926 and there were no previous actuals available to guide them.

GRANT 71—STATIONERY AND PRINTING.

73. *Paragraph 58(a) of the Auditor General's letter.*—The Committee was informed that orders have since been issued to the Managers of Presses that they should not reject the advice of the Pay and Accounts Officer without reference to higher authorities.

74. *Paragraph 58(b) of the Auditor General's letter.*—Mr. Rajagopalan informed the Committee that the revised rules governing the provision for depreciation issued in August 1928 will improve matters.

The Committee adjourned till 2 P.M., on Friday, the 16th August 1929.

Proceedings of the eighth meeting of the Public Accounts Committee held on Friday, the 16th August 1929, at 2 p.m.

PRESENT :

(1) The Hon'ble SIR GEORGE SCHUSTER.	<i>Chairman,</i>
(2) Mr. T. A. K. SHERVANI.	
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Sir FREDERIC GAUNTLETT, Auditor General.	
(11) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(12) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(13) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(14) Mr. B. NEHRU, Deputy Auditor General.	
Mr. A. M. ROUSE, Chief Engineer, Delhi.	
Mr. A. BREBNER, Superintending Engineer, Simla, Imperial Circle.	
Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.	
Mr. V. NARAHARI RAU, Under Secretary, Foreign and Political Department.	
Rai Sahib CHUNI LAL, Foreign and Political Department.	
Rai Sahib RAMA NAND, Foreign and Political Department.	

Were also present.

Witnesses.

75. The Committee resumed discussion of the Appropriation Accounts relating to the Department of Industries and Labour.

GRANTS 22 AND 86—IRRIGATION.

76. The Auditor General explained that the accounts under these grants were considerably complicated by the decision which was come to to make adjustments of the cost of certain canals merely in the administration accounts outside Government accounts whereas the budget contemplated that the adjustments would be made in the Government accounts themselves and that

the amounts involved being quite large it threw out very considerably the whole of the accounts. A number of large variations were due to this fact.

77. *Paragraph 13 (d) of the Auditor General's letter.*—The Accountant General, Central Revenues, explained that this suspense head was introduced in 1926-27 as the statement of establishment charges paid in England by the High Commissioner was received too late by the Accountant General, Punjab, to make the adjustments in the accounts of the year. The Auditor General promised to look into the matter.

78. As regards over-budgeting under this head, Mr. Brehner agreed that a larger lump sum could be made in future.

79. *Paragraph 5 on page 119 of the Appropriation Accounts.*—Mr. Brehner explained that a portion of the surplus stocks was used up in 1928-29 and 1929-30 and that they have circulated a list of the remaining surplus to the engineers of neighbouring provinces and asked them whether any portion is required by them.

GRANT 69—CIVIL WORKS.

80. *Items 17 and 26 of Appendix II to the Report of the Public Accounts Committee for 1927-28.*—The Auditor General explained that Fundamental Rule 45 has been re-drafted and supplementary rules have been published and that all the accounts officers were now at work applying the supplementary rules to the various rentals that have been charged for some years past and trying to determine how much is to be refunded or how much is to be recovered. In reply to Mr. Roy, the Chairman said that it would hardly be possible to assess the effect of the reductions in the rental of Government houses effected under these rules in depreciating the value of non-Government property in Simla. The question was hardly relevant to the task of the Committee but, speaking for himself, he could not see how the granting of certain concessions to Government officers in respect of Government houses could be held to depreciate the value of other houses.

81. *Paragraph 56 (h) of the Auditor General's letter.*—The Committee discussed the recurring loss due to the provision of residences in Simla for the members of the Indian Legislature. The Committee agreed with the remark in the last sub-paragraph of paragraph 3 on page 267 of the Appropriation Accounts that no further rules regarding the principles governing the allotment of quarters to the members were necessary but as there was difficulty in enforcing these rules, it might be desirable that a Committee of the Legislature should be appointed to deal with the allotment, etc.

82. *Paragraph 56 (l) of the Auditor General's letter and page 372 of the Appropriation Accounts.*—The Committee was informed that circulars were issued by the Government of India in April 1926. Mr. Brehner explained that a number of these cases was due to the fact that in the beginning the accounts organisation for the project was not sufficient and the engineer had not adequate assistance to deal with financial matters and that they have now got a sufficiently strong financial organisation which is not likely to be numerous in number.

83. *Paragraph 56 (m) of the Auditor General's letter and page 370 of the Appropriation Accounts.*—The Committee was informed that the case has since been disposed of and that the whole incident arose from a misconception, the executive engineer having reported a number of buildings as rentable while they were not really rentable.

84. *Paragraph 56 (n) of the Auditor General's letter and pages 373 and 374 of the Appropriation Accounts.*—The Chief Engineer informed the Committee that he had gone into the matter thoroughly and placed the whole case before the Government of India whose orders are awaited.

85. *Paragraph 56 (c) of the Auditor General's letter and pages 351-352 of the Appropriation Accounts.*—As there was not sufficient information before the Committee to consider whether any of these are items of "new service", it was agreed that the Auditor General should be requested to furnish a memorandum to the Committee in future years giving a collection of doubtful cases with full explanation. The Committee desired to confine itself this year to the specific items mentioned in paragraph 19 of the Auditor General's letter.

GRANT 92.—DELHI CAPITAL OUTLAY.

86. *Paragraph 79 (e) of the Auditor General's letter and pages 654 and 655 of the Appropriation Accounts.*—The Committee was informed that (1) orders on the case relating to petrol have been passed, (2) the case relating to kerosene oil was still under the consideration of the New Capital Committee, and (3) the discrepancy in the case of belting was due merely to misposting. As some of the members desired to recommend that such cases of shortage should be immediately reported to the police, Mr. Burdon explained that the memorandum recently issued by the Finance Department setting forth the fundamental principles regarding disciplinary action to be taken in the case of frauds and losses prescribed the action to be taken in such cases. The Committee thereupon agreed that no further action was necessary.

The Committee noted the serious delay in the cases dealt with in this paragraph and in paragraphs 82—84 above.

87. *Paragraph 79 (b) of the Auditor General's letter.*—Mr. Rajagopalan accepted the Auditor General's criticism and admitted that he should have made a bigger lump cut but for certain special considerations which were explained to the Committee.

88. *Paragraph 79 (d) of the Auditor General's letter and item (c) on page 652 of the Appropriation Accounts.*—The Chief Engineer explained that the figures for surplus stores were based on the information furnished by executive engineers who did not take into account the fact that stores surplus in one division can be used in other divisions. The Committee noted the need of coordinating the information thus received by the Chief Engineer.

GRANT 75.—BALUCHISTAN.

89. *Paragraph 19 of the Auditor General's letter—Rearmament of the Quetta Peshin Police.*—Mr. Narahari Rau explained that funds were voted by the

Assembly in 1926-27 and that the stores were actually supplied in that year but owing to some delay the debit was raised by the Military Department in the following year. The Auditor General was of opinion that an item for which money had been voted by the Assembly in a previous year with the concurrence of the Standing Finance Committee should not be treated as a "new service" merely because the expenditure was incurred in another year. The Committee agreed with this view.

GRANT 69—CIVIL WORKS.

90. *Paragraph 56 (e) of the Auditor General's letter and page 353, paragraph 10 of the Appropriation Accounts.*—The Committee was informed that the buildings were handed over free to the Durbar as there was no market for them and as the land on which they stood was supplied by the Durbar without rent for over a hundred years.

91. *Page 353, paragraph of the Appropriation Accounts.*—The Committee was informed that the roads were handed over to the States in order to reduce the expenditure of the Government of India on the maintenance of roads in the Central India Agency, the particular roads not being of sufficient importance to the Government of India to justify the expenditure incurred on their maintenance.

BANGALORE.

92. *Paragraph 73 of the Auditor General's letter.*—The Committee was informed that the attention of the Resident has been drawn to the serious irregularity and instructions have been issued to avoid such irregularities in future.

GRANT 30—FOREIGN AND POLITICAL DEPARTMENT.

93. *Paragraph 35 of the Auditor General's letter.*—The witness agreed that a lump deduction should be made in future for probable savings. As regards the excess under "Travelling Allowance", the Committee was informed that instructions have been issued to the officer in charge to get a programme of their tours from the Secretaries in advance and evaluate the cost of such tours by reference to the Railway administration.

The Committee then adjourned till 11 A.M. on Saturday, the 17th August 1929.

Proceedings of the ninth meeting of the Public Accounts Committee held on Saturday, the 17th August 1929, at 11 a.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	Chairman.
(2) Mr. T. A. K. SHERVANI.	Members.
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Lieutenant-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.		Were also present.
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(15) Mr. A. C. BADENOCH, Director, Commercial Audit.	
(16) Mr. T. K. RAJAGOPALAN.	
(17) Mr. B. NEHRU, Deputy Auditor General.	
Mr. A. B. REID, Joint Secretary, Department of Education, Health and Lands.	Witnesses.
Mr. RAM CHANDRA, Deputy Secretary, Department of Education, Health and Lands.	

94. The Committee took up consideration of the Appropriation Accounts relating to the Department of Education, Health and Lands.

95. *Item 12 of Appendix II.*—Mr. Badenoch explained that so far as the Bengal Government was concerned, commercial system of accounts was likely to be introduced with effect from the 1st April 1930, and it would then be possible to commercialise the accounts of the central quinine transactions at Mungpoo.

GRANT 21—FORESTS.

96. Mr. Shervani raised the question whether the construction of Mundali staff quarters mentioned on page 111 of Appropriation Accounts should not be treated as a new service, though its cost was only Rs. 4,758. The Auditor General explained that Mr. Shervani's point was that, in the case of amenities for Government servants, the money limit should be lower than for non-residential buildings. The Chairman agreed to consider this point when writing the Report.

GRANT 46—SURVEY OF INDIA.

97. *Paragraph 42 of the Auditor General's letter.*—As regards the savings in this grant, the Committee desired to record that in preparing and checking the budgets, the actual results of the previous years should be taken into account.

98. As regards the Store Accounts for Maps, Mr. Badenoch informed the Committee that the accounts are under preparation and will be audited by his staff as soon as possible after April 1930.

GRANT 49—BOTANICAL SURVEY.

99. Colonel Gidney enquired whether steps cannot be taken to grow more cinchona in India and to make India self-supporting as regards quinine. Mr. Reid mentioned that the whole cinchona arrangements were considered unsatisfactory by his Department and that nothing could be done until the recommendation of the Royal Commission on Agriculture that the production and supply of quinine should be made a function of the Central Government was adopted. Mr. Burdon pointed out the difficulties in accepting the recommendation of the Royal Commission. The Chairman pointed out that at the present moment the Central Government are faced with the position of holding large stocks of which they find considerable difficulty in disposing and that therefore *prima facie* the occasion hardly appears propitious for recommending a costly scheme for promoting the production of cinchona. At the same time, he thought that this *prima facie* view of the case was misleading; but it pointed to this fact—that the crux of the problem lies on the consumption side. The position in fact is that the Central Government cannot consider a scheme for Government production of cinchona unless they are assured of an adequate demand for consumption; and action to encourage the demand must rest with the provincial Governments. Therefore without the concurrence and co-operation of the provincial Governments the Central Government cannot move. The impression which he formed from a discussion with the provincial financial representatives at a conference in November was that the consumption of quinine in India is unduly small and that the Government ought to do much more to distribute quinine and to encourage its consumption in districts where malaria is common. Colonel Gidney pointed out that one of the main obstacles to the larger sale of Government quinine was the spurious quinine which is sold in the markets at a much cheaper rate than Government quinine. The chairman summed up the discussion, with the concurrence of the Committee, by saying that this was a matter in which the Government of India ought to give a lead to the provinces, and that as a first step the Committee might recommend to the Government of India to investigate, in consultation with provincial Governments, the possibilities of extending the use of Government quinine.

100. Colonel Gidney then raised the question of verification of stock and he was informed by the Auditor General that the question was engaging the attention of the Commercial Audit Department and proper arrangements will be made as soon as the commercial system of accounts is introduced.

GRANT 53—OTHER SCIENTIFIC DEPARTMENTS.

101. *Paragraph 47 of the Auditor General's letter.*—The Committee was informed that the Trustees of the Indian Museum were at present receiving a fixed grant based on average expenditure and that the Government of India were now considering whether there should be substituted for this a grant based on actual expenditure.

102. Mr. Neogy enquired whether the expenditure at present shown under the head “pay of establishments” represents the pay of the Museum establishment directly under the control of Government. The Auditor General promised to enquire into the matter.

103. *Page 205 of the Appropriation Accounts.*—Mr. Neogy enquired why the accounts of the Bose Research Institute, Calcutta, alone appeared in the Appropriation Accounts while those of other institutes to which grants-in-aid are paid did not appear. His attention was drawn to paragraph 9 of the A. G. C. R.’s report.

GRANT 55—MEDICAL SERVICES.

104. As regards the supplementary grant obtained in March 1928 under head A. 6 (2) which led to large savings, Mr. Ram Chandra explained that the circumstances were special. The Organising Secretary of the Congress of Tropical Medicines drew before the close of the year the whole amount of the grant sanctioned for the Congress under the impression that it was in the nature of a grant-in-aid for a non-Government institution, but the Pay and Accounts Officer held that the expenditure in connection with the Congress should be treated as ordinary Government expenditure and the Secretary had to refund the unspent balance in his hands.

GRANT 57—AGRICULTURE.

105. *Paragraphs 19 and 49 of the Auditor General's letter.*—*Purchase of the Anand Creamery.*—Mr. Burdon explained the position as follows and said that it was for the Committee to say how they would like an item of the kind to be treated :—

“ The facts of the case are that in order to provide facilities for research experiment and the training of Indians in dairy work on commercial lines, the Military Creamery at Anand was taken over by the Imperial Department of Agriculture, as a temporary measure, for a period of two years with effect from the 1st October 1925. The annual recurring expenditure was estimated at Rs. 2,82,000 and that for the five months of the year 1925-26 at Rs. 1,27,000. With the approval of the Standing Finance Committee a supplementary grant was obtained from the Assembly for the year 1925-26, and the necessary provision was made in the estimates for the succeeding year. ”

The intention was to work the creamery as a self-supporting concern, but the accounts from October 1925 to March 1927 showed that a total loss of Rs. 29,000 had been incurred on it. The teaching of dairying on commercial lines was, however, regarded as a service to be properly undertaken by the Government even if

it involved some loss. Accordingly, it was decided to acquire the creamery permanently for a sum of Rs. 60,000 that being the price at which a private firm had offered to purchase it. This expenditure was met by reappropriation of savings in the estimates for 1927-28 ; but audit has raised the point that since it was expenditure on a new service not contemplated when the budget was framed, a specific supplementary grant should have been obtained as required by rule 50 (I) (ii) of the Indian Legislative Rules.

The Audit Officer's point briefly seems to be that although the Legislative Assembly had voted a supplementary grant for the expenditure of the creamery in 1925-26 and also voted funds for its expenditure during 1926-27 and 1927-28, this was on the understanding that the creamery would be run at a profit and that its management by the Imperial Agricultural Department would be of the nature of an experiment for a period of two years. The Government of India, however, consider that if the expenditure was not in itself in respect of a "new service" it would not become so, merely because it was undertaken in the first instance as a temporary measure. In their view, the crux of the matter seems to be whether or not the Imperial Department of Agriculture had undertaken a new activity. This, it is understood, was not the case. The object of taking over the creamery was to train Indians in dairy work, which is a normal activity of the Department of Agriculture, and the expenditure was similar to that which the Legislative Assembly had been voting in the past for objects of that nature."

The Chairman explained that there were two grounds on which it had been argued that this item should not be regarded as a "new service"; first, that as the approval of the Standing Finance Committee had been obtained for running the creamery, no further payment in connection therewith need be regarded as a "new service"; secondly, that it had merely been taken over by one Department from another. As regards the second argument, it was pointed out by the Chairman and the Auditor General, that, though theoretically the whole budget (including both voted and non-voted grants) should be considered as a single unit, so that an item provided under the vote for one Department need not on strict technical grounds be treated as a new service when it is transferred to another Department, nevertheless if the transfer is (as in the present case) from a non-voted to a voted Departmental grant, this circumstance does in practice import a new factor which, in fairness to the Legislative Assembly, ought to be taken into account. Moreover, although the transfer of cash was only from one Department to another, it did in fact put the Department receiving the payment into the possession of funds which had not been provided for in any budget, which funds might have been disposed of on a non-voted service without further reference to the Legislature. Turning then to the first argument, it was pointed out that the Standing Finance Committee had only approved expenditure for running the creamery, not for its purchase ; that the practical result was that while under the arrangement originally contemplated by the Standing Finance Committee

could have terminated it at any time without any loss except the loss incurred on the working during the period approved by them, now that the creamery has been purchased, it would be necessary to consider not only the working loss but also the possibility of a loss on disposal of the undertaking.

The Committee agreed on both grounds that this item should have been treated as a "new service".

In reply to further questions, the Committee was informed that the present Imperial Dairy Expert was a very efficient business manager and that the Department expected to get more technical assistance when the Animal Husbandry Expert is appointed to the Agricultural Council.

GRANT 58—VETERINARY SERVICES.

106. *Paragraph 50 (a) of the Auditor General's letter and page 291 of the Appropriation Accounts.*—The Committee was informed that the officer who was mainly responsible was forced to resign and that as regards the subordinates, two of them had since resigned and the rest had been censured. The Committee was also informed that there had been no allegation throughout that there had been any personal misappropriation of funds or that the money had not actually been spent on work at the station.

GRANT 82—EXPENDITURE UNDER THE CONTROL OF THE SECRETARY OF STATE.

107. *Paragraph 68 of the Auditor General's letter.*—The Committee was informed that there was no double payment but that, at the request of the Institute, payment was made in January instead of in the following April.

The Committee then adjourned till 2-45 P.M.

Proceedings of the tenth meeting of the Public Accounts Committee held on Saturday, the 17th August 1929 at 2-45 p.m.

PRESENT:

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	<i>Members.</i>
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. Roy.	
(10) Sir FREDERIC GAUNTLETT.		Were also present.
(11) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(12) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(13) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(14) Mr. A. C. BADENOCH, Director, Commercial Audit.	
(15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.	
(16) Mr. B. NEHRU, Deputy Auditor General.	<i>Witnesses.</i>
Mr. H. A. F. LINDSAY, Joint Secretary, Commerce Department.	
Mr. A. DE C. WILLIAMS, Deputy Secretary, Legislative Department.	

108. The Committee took up the consideration of the Appropriation Accounts relating to the Commerce Department.

109. *Appendix II, items 1 and 22.*—The practical difficulties in arriving at a decision on these points before the creation of an autonomous church in India were explained to the Committee by Mr. Lindsay and Mr. Burdon.

GRANT 45—PORTS AND PILOTAGE.

110. *Paragraph 19 of the Auditor General's letter and paragraph 35 (i) of the A. G. C. R's Report.*—The Auditor General explained that the question was whether in view of the fact that the items on which expenditure was actually incurred differed so radically from what was contemplated in the budget, they should not be regarded as new services. His own opinion was that they could not be treated as new services as the intention from the beginning was to acquire the ship and refit it as a training ship. The Committee agreed

that this was a case of defective budgeting rather than one of undertaking a new service:

111. The Auditor General then asked whether the authority who was carrying out the repairs was entitled to spend, without previous sanction, three times the amount provided in the budget. Mr. Lindsay admitted that the result was clearly indefensible, and said that the first intimation they had was from the Accountant General, Bombay, who noticed the excess when the debits for the expenditure were passed on to him by the Controller of Marine Accounts and that they then had no option but to provide the money by re-appropriation. After further examination of Mr. Lindsay the Committee arrived at the conclusion that, in the absence of more precise information as to details of the actual arrangement between the Commerce Department and the Marine Department, which was entrusted with the work as agents of the former Department, it was impossible to say exactly where the blame lay or at what point the procedure had become ineffective for the protection of the public interest. Mr. Lindsay was therefore requested to furnish early next week a full report showing exactly what happened and what action was taken when the excess came to the notice of the Commerce Department. The Chairman expressed the view, with the concurrence of the Committee, that the actual result showed that the arrangements made had been seriously defective, and that an examination of this case ought to provide valuable lessons as to the sort of regulations which ought to be introduced in order to guard against similar results in the future. The case appeared to be an important one and it would probably be necessary for the Committee to make a number of serious and specific recommendations arising out of it.

112. *Paragraph 41(b) of the Auditor General's letter.*—As regards the large savings under heads E. 2 (5) and E. 2 (9), Mr. Lindsay explained that they were due to the postponement of the purchase of a new lightship for Burma, as the recommendation of the Light House Expert to have the old ship repaired was under the consideration of the Light House Committee. The savings under E. 2 (8) were due to want of data for framing a correct estimate of the cost of new arrangements made when the vessel "Clive" was withdrawn by the Royal Indian Marine.

GRANT 61—COMMERCIAL INTELLIGENCE AND STATISTICS.

113. In reply to a question by Mr. Das, the Chairman informed the Committee that the question of creating Trade Commissionerships in Europe, Africa and America was under consideration.

114. This concluded the discussion of the Appropriation Accounts relating to the Commerce Department. The Committee then took up the grants relating to the Legislative Department. Mr. Negoy enquired whether the extension of the appointment of the Officer on Special Duty to revise the Indian Contract Act was approved by the Standing Finance Committee. Mr. Burden promised to furnish the information at the next meeting.

The Committee adjourned till 11 A.M. on Wednesday, the 21st August 1929.

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Proceedings of the eleventh meeting of the Public Accounts Committee held on Wednesday, the 21st August 1929, at 11 a.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	Members.
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Lieutenant-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.	Were also present.
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(15) Mr. A. C. BADENOCH, Director of Commercial Audit.	Witnesses.
(16) Mr. T. K. RAJAGOPALAN, Officer on Special Duty.	
(17) Mr. B. NEHRU, Deputy Auditor General.	
Mr. C. W. Gwynne, Joint Secretary, Home Department.	Witnesses.
Mr. S. N. Roy, Deputy, Secretary, Home Department.	
Mr. BISHEN SARUP, Delhi Administration.	

115. With reference to paragraph 114 of the proceedings of the last meeting, Mr. Neogy stated that he had satisfied himself that the approval of the Standing Finance Committee was obtained for the second extension of 6 months of the appointment, after the first extension of 6 months had already been sanctioned in anticipation of the approval of the Standing Finance Committee.

The Committee wished to record the view that in the case of temporary employment of an officer on special duty more accurate estimate of the period required for the special work ought to be possible. In the present case the work was estimated in the first place to last only 6 months and had actually continued for 18.

116. The Committee then took up the consideration of the Appropriation Accounts relating to the Home Department.

GRANT 27—STAFF, HOUSEHOLD AND ALLOWANCES OF THE GOVERNOR GENERAL.

117. *Paragraph 33 of the Auditor General's letter.*—Mr. Burdon referred to what he said on Tuesday last (paragraph 54 ante) and stated that the question

of the lump cut under the head "Pay of Establishments," including leave salary, is one which is constantly under the consideration of the Finance Department, that some instructions to accounts officers were issued in September 1928, that further instructions will be issued from time to time and that when a few years' actuals are available under the new system, it ought to be possible to make a fairly accurate lump cut.

118. The Committee then ascertained some particulars about the Contract Allowance of H. E. the Governor General.

GRANT 28—EXECUTIVE COUNCIL.

119. As regards the saving under 'Tour Expenses,' the Committee was informed that the system of evaluation of future liabilities introduced in 1928-29 should give better results.

120. The Committee then obtained certain explanations about some excesses and savings under some of the sub-heads.

GRANT 72—MISCELLANEOUS.

121. *Paragraph 59 (e) of the Auditor General's letter.*—The Committee was informed that the failure to obtain a supplementary grant was due mainly to the difficulty of estimating with any accuracy the cost of the special trains used by the Statutory Commission.

GRANT 76—DELHI.

122. *Paragraphs 64 (a) and (b) of the Auditor General's letter.*—After some discussion the Committee agreed to recommend that the Finance Department should enquire into the possibility of improving the present procedure for the preparation of budgets in areas like Delhi where there was a separate Pay and Accounts Officer and whose advice regarding lump cuts, etc., especially under fluctuating charges, should be of great assistance to the Chief Commissioner in framing more accurate budgets.

123. *Paragraphs 64 (d) and (g) of the Auditor General's letter.*—The Committee endorsed the remarks of the Auditor General.

124. *Page 509 of the Appropriation Accounts—Sub-Head D.*—The Committee desired that it should be clearly stated in the Demands for Grants and Appropriation Accounts that the expenditure shown under this head relates to the maintenance of gardens in the Delhi city and not to the improvement of agriculture in rural areas. It was suggested that "Horticulture" would be a better heading than "Agriculture".

GRANT 78—ANDAMANS AND NICOBAR ISLANDS.

125. *Paragraph 66 (b) of the Auditor General's letter.*—The Chairman referred to his suggestion made on several occasions at previous meetings that there should be some sort of annexure to the Appropriation Accounts dealing especially with commercial undertakings, and recommended that all those in the Andamans should be included. Mr. Badenoch then explained the position as follows:—

"In the Andamans, many more activities will probably have to be commercialised. There is not only the forest and the dockyards,

but also the bakery and the slaughter-house. There are also two ships at present, for which *pro forma* accounts are sent to the Accountant General, Central Revenues. That Officer, however, has found it impossible to audit them. They are included in this report but they are admittedly inaccurate. About six months ago, an officer of my branch spent about three months in the Andamans and his reports have been submitted through me to the Auditor General. The recommendations of the Auditor General thereon will shortly be submitted to the Government of India. Our general suggestions are that these accounts should be commercialised along the lines suggested by the reporting officer and that my staff should visit the Andamans every year and should go into these accounts and audit them before they are placed before the Public Accounts Committee. It is extremely important that this should be done. There are valuable forests and the Government of India make big sales not only in Calcutta but also in Europe."

126. *Paragraph 66(d) of the Auditor General's letter.*—The Committee endorsed the remarks of the Auditor General.

127. *Pages 538—541 of the Appropriation Accounts.*—The Committee desired that, when considering the preparation of accounts on a commercial basis, the Auditor General should consider whether any portion of the loss on the Dairy Farm and the Slaughter House can properly be charged against Army estimates.

128. *Appendix II, item 21.*—Mr. Gwynne stated that although a complete account of expenditure in connection with all the Moplah settlers in the Andamans Islands could hardly be prepared, it ought to be quite possible for the additional expenditure on the 12 villages occupied by Moplah settlers to be shown separately; and this would cover the bulk of such settlers. Mr. Gwynne undertook that such an account should be prepared.

The Committee adjourned for lunch till 2-30 P.M.

Proceedings of the twelfth meeting of the Public Accounts Committee held on Wednesday, the 21st August 1929, at 2.30 p.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	Members.
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Lieut.-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.	Were also present.
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. G. KAULA, Director of Railway Audit.	
(14) Mr. B. NEHRU, Deputy Auditor General.	
Mr. P. R. RAU, Financial Commissioner, Railways.	Witnesses.
Mr. W. H. SCOTT, Controller of Railway Accounts.	
Mr. J. A. TOWER, Director of Finance, Railways.	

129. The Committee took up the consideration of the Appropriation Accounts of Railways for 1927-28 and the report of the Accountant General, Railways, thereon together with the relative paragraphs of the Auditor General's letter forwarding the documents.

Paragraphs 147 and 148 of the Accountant General's Report.

130. *Paragraph 4(a) of the Auditor General's letter.*—The Financial Commissioner said that he received a copy of the special officer's report about a week or ten days ago and that he had not yet gone through it. He promised to place before the Standing Finance Committee as early as possible a summary showing the recommendations of the special officer and the proposals of the Railway Board thereon. He explained that the delay in the preparation of the report was due to the fact that the special officer was expected to prepare the report along with other work and consequently he could not devote his full time to its preparation. The Committee agreed to record that it was very regrettable that a question which was raised by the Public Accounts Committee in 1926 and pressed ever since should be so long delayed. In reply to an enquiry by the Chairman whether the recommendations were likely to be given effect to in the next year's budget, the Financial Commissioner said that a good many of the recommendations have already been adopted and the fact that it took two years to publish the report had naturally detracted from its value. The Chairman remarked that it was a somewhat depressing situation if all that the special officer after three years had been able to recommend had already been introduced without apparently, according to the report of the Director of Railway Audit, bearing any fruit as regards improvement of

results. The question was then raised by one of the members as to the relative responsibility of the Financial Commissioner and the Finance Department and the position was explained to him.

131. Mr. Das raised the question whether the Railway Standing Finance Committee or the Public Accounts Committee was the proper committee to be consulted regarding a change in the form of the Railway Demands for Grants. The Chairman promised to get the point examined in his office and directed Mr. Burdon to prepare a note on the subject.

132. *Paragraph 147(b) of the Accountant General's Report.*—The Financial Commissioner explained that minor points raised in connection with the recommendations contained in Sir Arthur Dickinson's report have still to be dealt with by the Railway Board and are under examination by the Controller of Railway Accounts and that the particular case referred to in this paragraph was in his own opinion more a case of stupidity and the orders already issued should serve the purpose pending the promulgation of detailed rules on the question.

133. *Paragraph 147(c) ibid.*—The Committee was informed that the recommendations of the State Railways Workshops Committee on the piece-work and bonus system are still under consideration. As regards cost accounting, the Financial Commissioner referred to the memorandum printed as annexure II to Appendices II and III, copies of which have already been circulated to the members.

134. *Paragraph 147(d) ibid.*—The Committee was informed that the contract was examined by the Financial Commissioner himself and that he could not discover anything in it which could be held to have facilitated the fraud.

135. *Paragraph 147(e) ibid.*—Mr. Scott explained to the Committee that the crew system as a system was exceedingly good but that he was not satisfied that it was being properly worked at present. The Committee desired that the Railway Board should consider whether the crew system should not be under the control of accounts department and not of the traffic department. The Committee also desired to comment on the delay in the preparation of the report comparing the expenditure on the crew system on the lines where it was in force and the recoveries made from passengers travelling without tickets. This made it difficult for the Committee to make any final recommendations on the subject and the Committee therefore desired to have a full report next year on the question of the efficiency with which the system is being applied and administered.

136. *Paragraph 147(g) ibid.*—The Committee was informed that the Railway Board had got from the Army Department the information as to the procedure in force in that Department and that they were now consulting the Railway Administrations whether it would be feasible to adopt a similar procedure on the Railways.

137. *Paragraph 147(h) ibid.*—The Financial Commissioner said that the Finance Department had issued last week orders laying down the general principles in connection with contracts and that detailed instructions would be issued shortly by the Railway Board.

138. *Paragraph 147(i) ibid.*—The Committee was informed that orders were issued on the subject only last week, as owing to some oversight the case had not been taken up earlier by the Railway Board. The Chairman suggested, with the concurrence of the Committee that, in order to avoid such delays in future, the Committee might recommend that as soon as the report of the Committee appears, each Department should render a return to the Finance Department enumerating the points and recommendations which concerned the particular Department and which would receive their immediate attention. It would then be possible for the Finance Department at once to check whether any points had escaped notice.

139. *Paragraph 148(d) ibid.*—The Committee was informed that instructions have been issued that materials should be obtained strictly in accordance with the detailed provision in the sanctioned estimates within a reasonable time before the commencement of works and that materials not used should be returned to the stores immediately.

140. *Paragraph 148(e) ibid.*—The Financial Commissioner explained that the particular points that came to notice of absence of co-ordination have been set right and that the Director of Railway Audit had been asked to bring to notice other points on which action might be required.

The Committee then adjourned till 11-15 A.M. on Thursday, the 22nd August 1929.

Proceedings of the thirteenth meeting of the Public Accounts Committee held on Thursday, the 22nd August 1929, at 11-15 a.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER. *Chairman.*

(2) Mr. T. A. K. SHERVANI.

(3) Mr. B. DAS.

(4) Mr. S. C. MITRA.

(5) Kumar GANGANAND SINHA.

(6) Maulvi ABDUL MATIN CHAUDHURY.

(7) Mr. K. C. NEOGY.

(8) Maulvi MOHAMMAD YAKUB.

(9) Mr. K. C. Roy.

(10) Lieut.-Colonel H. A. J. GIDNEY.

Members.

(11) Sir FREDERIC GAUNTLETT, Auditor General.

(12) The Hon'ble Mr. E. BURDON, Financial Secretary.

(13) Mr. G. KAULA, Director of Railway Audit.

(14) Mr. B. NEHRU, Deputy Auditor General.

Were also present.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. W. H. SCOTT, Controller of Railway Accounts.

Mr. J. A. TOWER, Director of Finance, Railways.

Witnesses.

141. The Committee resumed the consideration of the Railway Appropriation Accounts and the Accountant General's Report thereon.

142. Mr. Roy raised the point whether there was any statutory rule authorising the presentation of the Railway budget by the Commerce Member. On his attention being invited to the definition of "Finance Member" in paragraph 1 of the Manual of Business and Procedure in the Legislative Assembly, he contended that there was a certain amount of ambiguity in the matter and that the rules were not quite clear on the point. The Chairman thought that there was no ambiguity but suggested that the Railway Department should, in order to demonstrate the position clearly to the Committee, obtain the opinion of the Legislative Department on the subject. The Committee also desired to recommend that whenever the Governor General exercises his power of appointing any Member as the Finance Member for the purpose of any particular rule in the Indian Legislative Rules, the order of such appointment should be laid on the Table of the House.

Annexure to the Accountant General's Report.

143. Before dealing with the particular cases mentioned in this Annexure the Financial Commissioner made the following general statement:—

"Last year Mr. Parsons told the Committee that he would have all these cases carefully investigated and that he would consider whether it was desirable to address the Board of Directors of the Company on these ~~irregularities~~. He had no time to go into it himself but as soon as the Assembly session was over he

Delhi, I went down to Calcutta with the Director of Civil Engineering of the Railway Board (Mr. Lines) and went into all the cases myself on the spot. I got hold of the Agent and the Chief Engineer and some other departmental officers of the Government such as the Examiner of Accounts to present their side of the case. I am in a position now to give the result of that investigation. The Railway Board have not yet taken any action in this matter because all the information that I wanted was not available till the beginning of this month. And then, since the Public Accounts Committee meeting was so close at hand, I thought it would be as well for me to place the facts before the Committee so that they could hear the railway side of the case and we may have the benefit of their advice before the Railway Board considers what action should be taken. In these particular cases I am going to give you the orders that I propose to ask my colleagues to agree to."

144. *Paragraph 2 of the Annexure.*—The Financial Commissioner explained that the Railway Board did not feel that any further action could be taken. The Assistant Engineer had only just been appointed at the time of the incident and as his subsequent record had been good it did not seem justifiable now to take any disciplinary action against him. On the other hand the District Engineer concerned has since retired from service. The Committee was not satisfied with the explanation and suggested that further enquiries should be made to fix the responsibility for the loss of measurement sheets. As regards the Assistant Engineer, the Committee desired (Colonel Gidney dissenting) that an entry should be made in his record of service. The Committee recognised that his good conduct since then would diminish the effect of such an entry, but they thought that the incident should be placed on record, as it might have a bearing in case of any similar incident being repeated in the future.

145. *Paragraph 6 ibid.*—The Committee was informed that (1) when the work had been in progress for $2\frac{1}{2}$ months and labour had been imported, the Government of Bihar and Orissa, for political reasons, asked the Railway to stop the work until formal acquisition proceedings were completed, (2) in the circumstances, the payment made to the contractor was probably not more than what the Railway would have had to pay if the matter were referred to arbitration, (3) the irregularity, which is a very serious one, was that, instead of making the payment in a straight forward manner, the Superintendent of Works entered fictitious measurements in the Measurement Book to support the payment, and (4) but for the fact that both the Superintendent of Works and the District Engineer concerned had left service, the Railway Board would have insisted on proper disciplinary action being taken against them. The question was then raised of the adequacy of the Government Examiner's audit. The Auditor General explained that he was not at all satisfied with the present scale of audit on Company lines, that he had therefore recommended that the system of audit on such lines should be the same as that applied at present to the State lines and that the question was now under the consideration of the Finance Department. He felt convinced that an increase of the Government Examiner's staff would materially enhance the

efficieney of the work on Companies lines. Mr. Neogy also pointed out that the Chief Auditors of the Companies' lines were subordinate to the Agents and did not report to the Railway Board the irregularities detected by them. As the Committee had no time to deal with all these eases in detail, it was agreed to appoint a sub-committee to go into them. The Chairman promised to place before the Committee the terms of reference of the sub-committee. As regards the particuler case dealt with in this paragraph, the Committee desired that legal opinion should be obtained whether criminal proeceedings could have been undertaken.

146. *Paragraph 9 ibid.*—The Financial Commissioner admitted that there was laek of judgment in the matter of the purchase of the bungalows and the prie paid for them. The Committee were not satisfied with the explanation and the Chairman observed that the diffieulty of taking disciplinary action in this case was increased by the fact that the purchase was sanetioned by the Railway Board. Mr. Burdon suggested that the Finaneial Commissioner should see the most elaborate and modern set of rules drawn up by the Army Department regulating the acquisition, custody and relinquishment of State lands and building by the Military authorities and consider whether similar rules could not be introduced on the Railway side.

147. *Paragraph 11 ibid.*—The Finaneial Commissioner explained the facts and stated that the Railway Board had come to the conclusion that further action was likely to be of no use, as the officers eoneerned had retired long before the fraud came to light. He also said that the present sys.em of purchasing sleepers was entirely different and promised to furnish a memorandum to the Committee explaining the system in detail.

The Committee then adjourned for lunch till 2-15 P.M.

Proceedings of the fourteenth meeting of the Public Accounts Committee held on Thursday, the 22nd August 1929, at 2-15 p.m.

PRESENT:

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	{
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Lt.-Col. H. A. J. GIDNEY.	
(10) Mr. K. C. Roy.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.	{
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. G. KAULA, Director of Railway Audit.	
(14) Mr. B. NEHRU, Deputy Auditor General.	
Mr. P. R. RAU, Financial Commissioner, Railways.	{
Mr. W. H. SCOTT, Controller of Railway Accounts.	
Mr. J. A. TOWER, Director of Finance Railways.	

Members.

Were also present.

Witnesses.

148. The Committee resumed the consideration of the Railway Appropriation Accounts and the Accountant General's report thereon.

149. *Paragraph 12 of the Annexure to the Accountant General's Report.*—The Financial Commissioner explained that prior to the separation of Railway finance, the question whether a particular item of rolling stock should be treated as an addition or a renewal was determined more by expediency and depended on whether funds were available under revenue or under capital; but that since the separation, as there was now a depreciation fund to provide for all renewals, particular care was taken to see that no items were treated as additions so long as there were any condemned items awaiting replacement. The question of the relative responsibility of the Railway Board and the Government Examiner as regards the allocation of the expenditure between capital and revenue was then discussed. It was agreed, that, at the time of the preparation of the budget estimates, the Railway Board should make an attempt to bring up to date the allocation between capital and revenue but that the responsibility for checking the actual allocation when the expenditure had been incurred should lie on the Government Examiner, to whom all the material necessary for making a correct allocation must be made available.

150. *Paragraph 13 ibid.*—The Agent's explanation was stated to be that the figures quoted by the Accountant General were not really comparable, as piece work outturn referred to repetition work while the day work outturn covered more complicated work entrusted to highly skilled labour. As the explanation was not quite satisfactory, the Chairman suggested, with the concurrence of the Committee, that the attention of the Manager should be

again invited to the Accountant General's remarks and that a more instructive report should be furnished to the Committee next year.

151. *Paragraph 14 ibid.*—The Committee was informed that it had been decided to reorganise the factory and to continue it for producing hand made briks. The Chairman remarked that although any one with experience of industrial undertakings would realise that mistakes like this in calculating probable savings were liable to occur, and although in connection with a huge concern like the railway this particular mistake involved a relatively small amount, nevertheless from the point of view of the officer who made the calculations in this case it was a big mistake. The Committee would therefore wish to know who the officer was and what had been done to him. The Financial Commissioner said that the Railway Board proposed to ask the Railway concerned to take disciplinary action against him. The Chairman also remarked that one important lesson could be learned from this incident, namely that when railways undertake a manufacturing business of this kind which is outside their ordinary business, a very special care should be devoted to checking the estimates; and that as there was in any case a great danger of the Railway undertaking in India growing to an unmanageable size, any tendency to undertake business, which is not strictly Railway business, should be checked, and should only be undertaken for *very special* reasons. If the only inducement was the prospect of making an ordinary commercial profit then such business should not be undertaken. It was only justifiable if conditions were such that a particular article required by the Railways could not be obtained on any sort of reasonable terms unless they manufactured it themselves. "The cobbler should stick to his last," or mistakes like the present one would often be made. Moreover it must always be remembered that it was hard enough to provide adequate capital for meeting all the needs of actual Railways without locking up money in side shows.

152. *Paragraph 5 of the Report and paragraph 8 of the Auditor General's letter.*—The Committee was informed that the excesses under grants 7, 8, 10 and 15 were due to the system of over-allotment introduced in 1925-26, that these excesses might be taken as signifying the breakdown of the system of over-allotment and that the amount over-allotted had been drastically reduced in the budget estimates for 1929-30, the amount over-allotted in that year being only 115 lakhs as against 18 crores in 1926-27. The Chairman explained that on behalf of the Finance Department he had had to assume much closer control over capital expenditure than hitherto and that, as a further measure to prevent over-expenditure, the powers of re-appropriation of Railway Agents had this year been considerably curtailed.

The excess under grant No. 4 was attributed to the fact that certain economies in administration which the Railway Board anticipated at the time of framing the estimates were not fully realised and a larger amount was required for new items of expenditure than anticipated in the budget.

The total excess under grant No. 14, taking voted and non-voted ~~together~~ was stated to be Rs. 1,58,000 only against a total grant of Rs. 1,58,51,27 i.e., just under one per cent.

153. *Paragraph 11 of the Accountant General's Report.*—The Committee was informed that the Railway Board had now adopted as a definite plan

except in cases of extreme urgency, detailed estimates must be prepared before actual construction begins on any projects, and that, in the case of the Kangra Valley Railway, the Railway Board itself sanctioned, as a special case, the deviation from this principle. Mr. Neogy then raised the question of the guarantee to be given by a local Government or local body for unremunerative lines. He pointed out that according to the Government of India Resolution on the subject, the intention clearly was that the local Government or the local body should undertake to make up the actual loss in the working of such railways whereas in the case of the Kangra Valley Railway, a maximum guarantee had been agreed to. The Financial Commissioner explained that, as the local Governments have to place the proposals before their Legislative Councils, it was necessary to give them a definite maximum figure of loss based on the estimates which the Railway Board could frame. It was also explained that, for this purpose, detailed estimates were not as a rule completed in advance, as the expenditure incurred in preparing such estimates would be wasted if the local Government did not subsequently agree to the terms offered to them. The Committee came to the conclusion that before entering into an agreement with the local Government, especially in cases involving particularly difficult construction, detailed estimates might be prepared, and that, if the local Government did not accept the terms offered by the Railway Board, the cost of preparing the detailed estimate should be borne by the local Government concerned. As regards the Kangra Valley Railway, the Committee refrained from detailed comment as it was acknowledged that the case was exceptional, that the precedent would not be repeated and that the matter was now under investigation by the Railway Board.

154. *Paragraph 12 of the Report.*—Mr. Scott explained to the Committee that the state of affairs regarding Stores Accounts on the East Indian Railway was a very bad one and it had been so for a long time. He therefore proposed radically to alter the present procedure and as a result of the successful experiment on the North Western Railway to introduce machines. He anticipated that within six months after the introduction of the machines the results on the East Indian Railway would be better than they have ever been.

The Committee adjourned till 11 A.M., on Friday, the 23rd August 1929.

Proceedings of the fifteenth meeting of the Public Accounts Committee held on Friday, the 23rd August 1929, at 11 a.m.

PRESENT :

(1) The Hon'ble Sir George Swinton,	Chairman
(2) Mr. V. A. K. SHREVANI,	
(3) Mr. B. DAS,	
(4) Mr. S. C. MITRA,	
(5) KESAR GANGANAND SINHA,	
(6) Maulvi ABDUL MATIN CHAUDHURY,	
(7) Mr. K. C. NEogy,	
(8) Maulvi MOHAMMAD YAKUB,	
(9) Mr. K. C. Roy,	
(10) Lt.-Col. H. A. J. GIDDING,	
(11) Sir FREDERIC GRANTLETT, Auditor General.	
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. G. KAULA, Director of Railway Audit.	
(14) Mr. A. C. BADENOCH, Director of Commercial Audit.	
(15) Mr. B. NEMRU, Deputy Auditor General.	
Mr. P. R. RAVI, Financial Commissioner, Railways.	
Mr. W. H. SCOTT, Controller of Railway Accounts.	
Mr. J. A. TOWER, Director of Finance, Railways.	

155. The Chairman read out the terms of reference of the Sub-Committee (see Annexure).

156. The Committee then resumed the further consideration of the Railway Appropriation Accounts and the Accountant General's Report thereon.

157. *Paragraph 29 of the Report.*—The Chairman informed the Committee that the Committee dealing with the Separation Convention was considering this matter.

158. *Paragraph 30 ibid.*—The Chairman reiterated the suggestion made by him on previous occasions that in the case of commercial undertakings there should be an annex to the Appropriation Accounts reviewing the general results of the working of the undertaking on the basis of the latest figures available and giving a general account of the business containing the sort of information which is given in the annual report and in the speech made by the chairman of a public company to the shareholders at the annual meeting. The Auditor General said that the same question had been engaging the attention of Mr. Kaula and himself for some time past after a scrutiny of the Appropriation Accounts of Railways which are published in South Africa. Mr. Neogy then pointed out that the figures of capital at charge as given in the Administration Report differed widely from those given in the Appropriation Accounts. This was explained to be due to various factors, as for example the difference in the rate of exchange at which sterling figures were converted into paper rupees.

The Auditor General said that the question of the rate at which sterling figures should be converted into rupees wherever it is necessary to show in the Finance and Revenue Accounts combined figures for rupee and sterling expenditure was a general question and was still undecided. It was most important in the case of Railway accounts and his suggestions had been sent to the Railway Board two years ago. He desired that in future an attempt would be made to present the two sets of figures on a uniform basis.

159. *Paragraphs 38 to 40 ibid.*—In reply to a question by Colonel Gidney as to what action was being taken by the Railway Board in view of the increasing road motor competition, the Chairman said that the question had already been taken up at his instigation and was under the consideration of the Railway Board. He pointed out incidentally that most of the Railways at present had no statutory power to run motor transport.

160. The Committee then examined the statement on page 18 of the Report and desired to record that the Railway Board ought to follow a definite policy of adjusting rates on company-managed lines to rates on State lines unless there were economic reasons to the contrary.

161. *Paragraph 45 ibid.*—The increase in expenditure on fuel on the Bengal Nagpur Railway was stated to be due to increase in freight charges during the year as a larger quantity of fuel was taken by the Railway from their own collieries. The Committee expressed the view that it was an unsatisfactory feature in the accounts of the Bengal Nagpur Railway that (as apparently was the case) the loss on the working of their collieries was being borne by the railways. The Committee therefore desired to recommend that a system of proper commercial accounts should be introduced on all collieries worked by railways.

162. *Paragraph 65 ibid.*—The Committee was informed that there was no loss as the rates charged by the contractors in these cases were less than those which would otherwise have been charged, and that the Railway Board had since issued instructions that the proper course in such cases was to pay the contractors the proper rate and charge them proper rent.

163. *Paragraph 66 ibid.*—The Committee were satisfied by the Financial Commissioner that the action taken was as severe as in the circumstances was possible.

164. *Paragraph 99 ibid.*—As regards the question of the extension to other railways of the procedure followed on the North Western Railway of showing materials issued to sheds for revenue repairs as part of the stores balances, the Financial Commissioner agreed to issue necessary orders.

165. *Paragraphs 103 and 104 ibid.*—The five questions raised by the Auditor General were answered by the Financial Commissioner as follows:—

“(i) I understand that the delay in the final extension of the siding was due to delay on the part of the Forest Department of the Burma Government in opening up certain forests. The portion which was not affected by that was completed without delay. As regards (ii), from an extract of a contract sent by the Agent it appears the reverse is the case. Sleepers delivered at the siding

had to be charged at Rs. 2/4 and those on the main line at Rs. 2/8. The Agent reports that the suggestion in the Accountant General's report that the rate for sleepers delivered alongside the main line was raised to bring it up to that of sleepers delivered at the siding is not correct. The increase in the rate is due to increase of Government royalty. (iii) The inference that the siding was laid more to enable the sleeper contractor to develop his own forests is stated by the Agent to be negatived by the fact that the forests served by the siding were the properties of the Burma Government. After the siding had been constructed sleepers were actually purchased from these forests at a rate less than the price recommended as a fair price by the Sleeper Enquiry Committee. The Agent says that from no other source could they get this quantity at the same or lower price. (iv) As regards the compensation, it was laid down in the contract that any increase in the Government royalty was to be a charge against the railway. The Forest Department increased the royalty on the sleepers and this involved an additional payment to the contractor. (v) Public tenders were not called for but private enquiries were made both in 1923 and in 1926 and the rates quoted were as high as Rs. 3/8 per sleeper which were much higher than what is even now being paid. The Agent says there is no advantage in calling for tenders as the whole area served by the siding is held on lease from Government by one timber merchant who secured the lease on open tender subsequent to the building of the siding."

The Chairman observed that the fact that the explanations now given were so different from the facts as mentioned in the Report clearly showed lack of co-operation between the Government Examiner and the Company's auditor, and therefore suggested that the case should be further investigated and a report furnished to the Committee next year. Considerable discussion followed on this case and it was agreed that one of the most urgent practical needs illustrated by the Appropriation Report was that cases of this kind, where directly conflicting statements were made by the Examining staff on the one side and the Accounts staff on the other must be followed up immediately with a close and impartial enquiry so as to ascertain where the fault lay. Such immediate and careful investigation offered the best chance of correcting faults on either side, and providing more effect on co-operation between the audit and accounts. The Auditor General promised that the question of co-operation would be discussed by the Director of Railway Audit with the Controller of Railway Accounts.

166. *Paragraph 58 (d) of the Auditor General's letter.*—The Financial Commissioner explained that supplementary grants for all these projects except two were obtained from the Assembly in March and that as regards the other two, provision was included in the budget for one and funds voted by the Assembly in the previous year for the second.

In reply to Auditor General's question whether the Railway Board admitted that a new construction was a new service, Mr. Rau stated that their

practice was if possible to take a supplementary grant in every case for a new construction but that sometimes it was not possible in special cases to get a grant approved by the Assembly in time. In such cases he thought they ought not to be prevented from starting a new construction till they obtained a formal grant from the Assembly if the Standing Finance Committee for Railways had approved of the construction. The difficulty was a practical one. It might for example happen that owing to special unforeseen circumstances, it was found impossible to start work on a particular project included in the budget. There might however be another project equally desirable on which work could be begun immediately ; if in such cases work on the project could not be started till the vote of the Assembly was obtained, a whole working season might be lost and a substantial part of the construction staff left idle. The Auditor General suggested that to provide for such cases, a few additional projects might be included in the budget with token demands against them. The Chairman summed up the discussion by saying that the question really was what latitude is to be allowed to the executive to start a new service with the approval of the Standing Finance Committee in anticipation of the approval of the Legislature. He suggested that the Committee should say that whatever latitude is allowed, the executive should not be allowed to substitute for a project approved by Legislature another project costing considerably more, although in the particular year in which it is started the expenditure might not exceed the amount already provided for in the budget. The Committee agreed and urged that in all such cases of substituting one project for another, the control of the Finance Member should be rigidly exercised.

167. In reply to questions by the Chairman, the Auditor General stated that while there was a steady improvement in all the other Departments as regards taking action to rectify and prevent financial and accounting irregularities he hesitated to say that he was satisfied as regards the Railways. He added that in saying this he did not at all belittle the very fine record of achievement by the Railway Board, but the undertaking was so enormous that there was still a great deal to be done and the strengthening of control right down the line required close investigation.

The Committee adjourned for lunch till 2-30 P.M.

ANNEXURE.

Sub-Committee of the Public Accounts Committee.

The Sub-Committee is primarily appointed to investigate such of the cases referred to in the Annexure to the Report of the Accountant General, Railways—pages 83—102—as have not been investigated in detail by the full Committee. After dealing with these cases the Sub-Committee will further investigate any other cases arising out of the Appropriation Accounts of the Railways in India which the main Committee have not been able to examine in detail.

The Committee desire that the Sub-Committee shall endeavour to ascertain what lessons can be learnt from the special cases which they are to examine and in particular shall consider the bearing of such lessons on recommendations

on the points mentioned in the list below which the Committee may make with a view to preventing in the future the sort of financial irregularities which have occurred in the cases referred to :—

- (1) increasing the Government Examiner's staff and the extension of the scope of the Government Examiner's audit ;
- (2) altering the status of the companies' auditors, to see whether it is possible to get them to co-operate with the examining staff more than they do at present ;
- (3) whether efficiency has suffered from a tendency to differentiate between officers and subordinate staff as regards disciplinary action ;
- (4) the control by the Railway Board over company-managed railways ; and
- (5) the procedure followed in the framing of estimates for new capital projects and control over expenditure after their sanction.

Proceedings of the sixteenth meeting of the Public Accounts Committee held on Friday, the 23rd August 1929, at 2-30 p.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	Chairman.
(2) MR. T. A. K. SHERVANI.	Members.
(3) MR. B. DAS.	
(4) MR. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) MR. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) MR. K. C. ROY.	Were also present.
(10) Lieutenant-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.	
(12) The Hon'ble MR. E. BURDON, Financial Secretary.	
(13) MR. G. KAULA, Director of Railway Audit.	Witnesses.
(14) MR. B. NEHRU, Deputy Auditor General.	
Sir AUSTEN HADOW, Chief Commissioner, Railways.	Witnesses.
MR. P. R. RAU, Financial Commissioner, Railways.	
MR. W. H. SCOTT, Controller of Railway Accounts.	

168. Sir Austen Hadow gave evidence before the Committee on certain general questions.

169. *Railway Board's control over company-managed lines.*—Sir Austen Hadow informed the Committee that the Railway Board has practically complete control over the company-managed lines and explained the position in great detail as regards general administration, rates and purchase of stores. In reply to a question by the Auditor General, Sir Austen Hadow and the Financial Commissioner said that if particular cases in which the Government Examiner could not obtain access to relevant papers in the offices of company-managed lines were brought to their notice, they would certainly take the necessary action.

170. *Supervision by the Railway Board to see that a company keeps its undertaking up to the mark.*—Sir Austen Hadow explained to the Committee the work done by the Government Inspectors of Railways and read out extracts from the latest report of the Senior Government Inspector:

171. *Rules regarding the preparation of the estimates.*—The Committee was informed that there were elaborate rules for the preparation of detailed estimates but in the past some projects had been started without detailed estimates. The Chief Commissioner said that the case of the Kangra Valley Railway was an unfortunate incident in which the Railway Board itself sanctioned departure from the rules. The Committee was also informed that under the procedure recently introduced, no new project can be commenced without detailed estimates except with the knowledge and sanction of the Railway

Board. It was further stated that except in cases of urgency, e.g., the repairs of a bridge, or for other special reasons the Railway Board would not in future sanction the commencement of construction before the preparation of detailed estimates. Sir Austen Hadow explained how the new practice of working out the detailed estimates concurrently with the carrying out of the final location survey in the case of a new railway line would make it possible to assist the completion of the detailed estimates without involving any undue delay in the commencement of constructions which would not in any case begin until the final location survey is ready.

172. *Purchase of stores through the Indian Stores Department.*—Sir Austen Hadow said that they were prepared to purchase through the Indian Stores Department in every case when it was to the advantage of the Railways to do so; but there could be absolutely no question of abolishing the stores department of the Railways. The Railway Board could not hand over to any outside agency their responsibilities regarding rolling stock which they should therefore buy direct. In other respects, he was ready to extend the use of the Indian Stores Department as far as possible. He agreed to consider whether, in the case of stores which they now purchased direct, half the orders could not be placed through the Indian Stores Department and half through their own stores organisation for a year or two and to see which paid them best.

The Committee then adjourned till 11 A. M. on Saturday, the 24th August 1929.

**Proceedings of the seventeenth meeting of the Public
Accounts Committee held on Saturday the 24th August
1929, at 11 a.m.**

PRESENT:

- (1) The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*
- (2) Mr. T. A. K. SHERVANI.
- (3) Mr. B. DAS.
- (4) Mr. S. C. MITRA.
- (5) Kumar GANGANAND SINHA.
- (6) Maulvi ABDUL MATIN CHAUDHURY.
- (7) Mr. K. C. NEOGY.
- (8) Maulvi MOHAMMAD YAKUB.
- (9) Mr. K. C. ROY.
- (10) Lieutenant-Colonel H. A. J. GIDNEY.
- (11) Sir FREDERIC GAUNTLETT, Auditor General.
- (12) Mr. J. E. C. JUKES, Controller of Civil Accounts.
- (13) Mr. A. C. BADENOCH, Director of Commercial Audit.
- (14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.
- (15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.
- (16) Mr. B. NEHRU, Deputy Auditor General.

Members.

*Were also
present.*

Mr. E. BURDON, Financial Secretary.

Witness.

173. The Committee took up the consideration of the Appropriation Accounts relating to the Finance Department.

GRANT 25—Interest on Ordinary Debt.

174. *Paragraph 31 (a) of the Auditor General's letter.*—The Committee was informed that the Deputy Controller of Currency, Northern India, issued instructions to the Imperial Bank of India to pay the amount on the 1st April but the amount was actually paid by the Bank on the 30th March, as 31st March and 1st April were holidays.

GRANT 26—Interest on Miscellaneous Obligations.

175. *Paragraph 32 (b) ibid.*—Mr. Rajagopalan said that this was a mistake on the part of the Pay and Accounts Officer.

176. *Para. 32 (c) ibid.*—Mr. Burdon promised to take the necessary action in the matter.

GRANT 67—Currency.

177. *Paragraph 54 ibid.*—Mr. Burdon explained that Rs. 2 lakhs out of the total saving of Rs. 3,63,911 was due to an unforeseen rebate given by the Bank of England on the contract price for currency notes printed by them. Excluding this, the saving was only 2·2 per cent.

Mr. Burdon explained fully the arrangement which he had made in the Finance Department to have a whole time Budget Officer who was also

Secretary to the Public Accounts Committee, so that after the budget has been launched the officer could devote his attention to watching the operation of the budget throughout the year and test the accuracy of his calculations. He considered that the most important work yet to be done in order to secure a greater accuracy in the estimates (but which it was impossible for the present whole time Budget Officer to do), was to go round the estimating offices, look into and co-ordinate their work and have occasional conferences with the estimating officers. On being questioned by one of the members as to what arrangements he proposed for doing this work, he said that his proposal would be to appoint for a few months an officer with proper qualifications as Assistant Budget Officer, who would attend the meetings of the Public Accounts Committee, then go on tour during the greater part of the cold weather and then report the results to the Budget Officer; it would then be possible to see what further steps are required to be taken. The Auditor General entirely agreed with Mr. Burdon as to the necessity of co-ordinating the work of the officers who were primarily responsible for estimating and added that his experience of the past few years had been that the Finance Department was understaffed and stressed the vital necessity of increasing the staff in order to set up a high standard of efficiency. The Committee agreed with Mr. Burdon and the Auditor General and desired to recommend that the Finance Department should be adequately staffed and to record as their opinion that it was justifiable to err on the side of being overstaffed in the initial stages in order to work up to a high standard of efficiency and also that it was particularly important during the initial stages to have continuity in the staff of the Finance Department which is employed on this special work. Some of the members desired to recommend that the post of the Assistant Budget Officer should be a permanent one, so that he might be available to succeed the Budget Officer when the latter was transferred, but it was agreed that this was a point for the executive to decide.

GRANT 68—*Mint.*

178. *Paragraph 19 of the Auditor General's letter and note 2 on page 327 of the Appropriation Accounts.*—Prior to the installation of an electrolytic silver refinery at the Bombay Mint, the only means of refining silver at the Mint was by cupelling furnaces which were mainly used for refining silver recovered from drosses and were quite unsuitable for refining large quantities of fairly high touch silver, as the losses would be excessive and the cost high and the quality of refined silver would not be good. The new refinery not only refines Government silver but also undertakes work for the bullion merchants and the public. The installation is thus not a replacement but represents a new and a definite policy of Government. It was therefore agreed that it ought to have been treated as a new service. The Chairman remarked that in this case there was a double reason for regarding it as a "New Service". Not only was the plant a new plant and not an extension of an existing plant but the installation of this new plant involved the adoption of a new policy on the part of the Government. He thought that this latter factor should be specially recorded as an important determining factor when considering whether any particular expenditure amounted to a "New Service".

Mr. Burdon explained that no supplementary grant was obtained from the Assembly to meet the expenditure in the first year, as the Finance Department had not realised all the implications of the rule relating to new services but added that the whole of the facts was placed before the Standing Finance Committee. The Auditor General then suggested and the Committee agreed that the ordinary Standing Finance Committee and the Standing Finance Committee for Railways, when asked to approve of any scheme placed before them, should consider in the light of the case law promulgated by the Public Accounts Committee (which should be made available to that Committee) whether the scheme constitutes a "new service", and, further that it was the duty of the department responsible for presenting the demand to the Standing Finance Committee to call attention to all the relevant facts and considerations for this purpose.

GRANT 70.—Superannuation Allowances and Pensions.

179. *Paragraph 57 of the Auditor General's letter.*—The variations were attributed to the difficulty of estimating under this head which was specially great in the year under review, as the estimate under the head "Commututed value of pensions" had to be prepared in the absence of even previous actuals.

GRANT 83.—Expenditure in England under the control of the High Commissioner.

180. *Paragraph 69 ibid.*—Mr. Burdon promised to address the High Commissioner and the Secretary of State on the subject.

The Committee desired to record that there was persistent over-budgeting both in the estimates of the High Commissioner and the Secretary of State and that the attention of these authorities should be drawn to this.

GRANT 94.—Loans and Advances bearing interest.

181. *Paragraph 80(b) ibid.*—Mr. Burdon informed the Committee that some time ago and quite independently of this case, the Finance Department came to the conclusion that the existing arrangements in regard to covering advances for the purchase of motor cars were not satisfactory and, in consultation with the Government Solicitor, devised a new form of security bond which combines personal security of the officer with the hypothecation of his vehicle.

182. *Paragraph 80(c) ibid.*—Mr. Burdon informed the Committee that the Bombay Government had just submitted a re-payment programme in respect of the loans taken by them for the Development Department and the Sukkur Barrage.

183. The Committee then took up the consideration of Appendix V. The Chairman said that he desired to discuss the matter with the leaders of the various parties in the Assembly and also with the President of the Legislative Assembly. The views of the Auditor General and the provisional views of the various members were ascertained. Two alternative schemes were suggested, viz., (1) a formal motion that the Report be adopted which would enable the Assembly to reject or amend the Report; and (2) that, in the course of the debate on the motion that the Report be taken into consideration, members of the Assembly should be able to move formal resolutions of which previous notice had been given. Further discussion was postponed.

The Committee then adjourned for lunch till 2-30 P.M.

Proceedings of the eighteenth meeting of the Public Accounts Committee held on Saturday, the 24th August 1929, at 2-30 p.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER,	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	}
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Mr. K. C. NEOGY.	
(7) Maulvi MOHAMMAD YAKUB.	
(8) Mr. K. C. Roy.	
(9) Lieutenant-Colonel H. A. J. GIDNEY,	
(10) Sir FREDERIC GAUNTLETT, Auditor General.	}
(11) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(12) Mr. A. G. BARR, Director of Army Audit.	
(13) Mr. B. NEHRU, Deputy Auditor General.	
Mr. E. BURDON, Financial Secretary.	}
Mr. A. F. L. BRAYNE, Financial Adviser, Military Finance.	
Lieutenant-Colonel S. G. V. ELLIS, Military Accountant General.	
H. L. LIVINGSTONE, Deputy Financial Adviser, Military Finance.	

Witnesses.

184. The Committee resumed consideration of the Appropriation Accounts relating to the Finance Department.

185. *Appendix VII to this Report—Provincial Loans Funds.*—As regards the rate of interest charged for loans taken by the Bombay Government for their Development Department, Mr. Burdon explained that these loans were arranged and the rate of interest fixed before the inauguration of the Provincial Loans Fund. There was therefore no question of reducing the rate of interest for Bombay to the disadvantage of the other Provinces. It was merely a question of continuing the rate of interest originally arranged. Mr. Burdon further explained that when these schemes were embarked upon they were expected to be productive and that the Government of India had considered that in the special circumstances it was not equitable to raise the rate of interest merely because at a later stage the anticipations of revenue proved unlikely to be realised. The Chairman explained that the question of the rules for fixing rates of interest under the Provincial Loans Fund was now under consideration in consultation with the Provinces. His own view at present was that the rules as framed were unlikely to attain their object. The real justification for

charging a higher rate of interest in the case of unproductive schemes was to make borrowing for such schemes less attractive. When once a scheme had been started as a productive scheme it seemed to him rather hard at a later date to impose a higher rate of interest because the scheme proved to be less successful than anticipated. He thought therefore that the distinction between productive and unproductive schemes should be made according to the nature of such scheme at the beginning, and that in the case of loans for unproductive schemes it would be better rather to insist on a comparatively short period of repayment, instead of merely adding $\frac{1}{4}\%$ to the rate of interest charged.

186. The Auditor General made a general statement about the separation of audit from accounts. His opinion was that the experiment had proved a distinct success and that separation has enabled audit, especially in the case of the Army and the Railways, to concentrate on bigger questions and to effect more effective improvements. He said that the separation has clarified more clearly the conception of the functions of accounts and audit and many of the provinces would have accepted the separation but for the additional expenditure involved.

187. The Committee then took up the Report of the Military Accounts Committee (Appendix X) on the Appropriation Accounts of the Army, Marine and Military Engineering Services for 1927-28 and the Report of the Director of Army Audit thereon. The Committee considered that the change made in the current year in the constitution of the Military Accounts Committee, of appointing the Controller of Civil Accounts as a member of the Committee in the place of the Army Secretary, was a change in the right direction. It also desired to record its appreciation of the very efficient and thorough manner in which the Military Accounts Committee had dealt with the Appropriation Accounts and expressed its concurrence in the conclusions and recommendations of that Committee.

188. The Committee desired to have a Memorandum from the Army Department on their policy as regards purchase of stores through the Indian Stores Department and whether the Army could increase their purchases through the Indian Stores Department.

189. The Committee also desired that the result of the examination by the Financial Adviser mentioned in paragraph 54 of the Military Accounts Committee's Report should be communicated to it.

The Committee then adjourned.

Proceedings of the nineteenth meeting of the Public Accounts Committee held on Saturday, the 21st September 1929, at 2-30 p.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	Members.
(3) Maulvi ABDUL MATIN CHAUDHURY.	
(4) Mr. K. C. NEOGY.	
(5) Maulvi MOHAMMAD YAKUB.	
(6) Mr. K. C. Roy.	
(7) Lt.-Col. H. A. J. GIDNEY.	
(8) Sir FREDERIC GAUNTLETT, Auditor-General.	

(9) The Hon'ble Mr. E. BURDON, Financial Secretary

190. The Committee considered the draft report and accepted it with certain alterations. The Committee decided to hold another meeting at 10 A.M. on the 24th September 1929 to consider the draft paragraph about the discussion of the report in the Assembly.

Proceedings of the twentieth meeting of the Public Accounts Committee held on Tuesday, the 24th September 1929, at 10 a.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	Members.
(3) Haji Chowdhury MOHAMMAD ISMAIL KHAN.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. Roy.	
(10) Lt.-Col. H. A. J. GIDNEY.	

(11) Sir FREDERIC GAUNTLETT, Auditor General. Was also present.

191. The Committee accepted the draft paragraph about the discussion of the Report in the Assembly with some modifications.

VI—APPENDICES.

APPENDIX I.

Finance Department Resolution No. D.-1407-A., dated the 17th May 1929, on the Report of the Public Accounts Committee on the accounts of 1926-27.

The Governor General in Council has taken into consideration the Report of the Public Accounts Committee on the accounts for 1926-27 and desires to record his appreciation of the care, industry and ability with which the Committee, like their predecessors, have conducted their scrutiny. The Report is the sixth of its kind and the magnitude of the task accomplished by the different Committees is apparent from the epitome which, following the English practice, has been compiled by the Auditor General in India and is under issue.

2. *Paragraphs 5—7 and 10—11 of the Report.*—The Governor General in Council shares the satisfaction which the Committee have expressed at the improved results commented upon in these paragraphs—particularly the reduction in the number of excesses over voted grants requiring to be regularised by the vote of the Legislative Assembly. The analysis, contained in paragraph 7, of the percentages of savings in voted grants on the one hand and in non-voted appropriations on the other, is of considerable interest and supports the conclusion indicated in the Resolution on the last Report of the Public Accounts Committee that there is no general tendency to over-estimate expenditure under voted heads. The amendment of the Indian Legislative Rules, referred to in paragraph 7 as impending, was made in January last. The purpose of the amendment is to enable token votes to be obtained in respect of expenditure on “new services not contemplated in the Budget” which can be met by reappropriation. The Committee have also referred to measures taken or about to be taken to improve the system and strengthen the machinery of estimating. The results actually achieved by these measures will doubtless receive careful attention from the Public Accounts Committee in future years.

3. *Paragraph 9 ibid.*—The Committee consider that every effort should be made to include all supplementary demands in the list placed before the Legislative Assembly in the ordinary course about the month of February and that demands which cannot be so included should be presented separately later on, before the close of the year, when a question of principle is involved. The first suggestion represents the practice ordinarily followed, and the Governor General in Council agrees that it would be desirable to adopt the suggestion made as regards the presentation of belated demands. Steps will be taken accordingly, provided that on each occasion the programme of work in the Legislature permits.

4. *Paragraph 12 ibid.*—The Committee have brought together, in one place and in a convenient form, the principles which they consider should be followed in estimating, including some which, as they themselves state, were recommended and accepted in the past. The principles are unexceptionable: and, in particular, the Governor General in Council agrees with the observations of the Committee as regards the dangers inherent in the system of

over-allotment. Judiciously used, the system leads to efficient expenditure: abuse of the system or negligence in its use leads to loss of financial control and may lead to serious financial embarrassment where the head of expenditure involved is one of magnitude.

5. *Paragraph 16 ibid.*—The Committee have reviewed the history of the proposal that the Assembly should be given an opportunity to discuss in general terms the Report of the Public Accounts Committee on which the excess grants are based and have suggested that the Government of India should reconsider the matter without waiting for the deliberations of the Statutory Commission—a suggestion which has since been reinforced by the opinion expressed by the Hon'ble the President of the Assembly on the 18th February 1929 on the occasion of the discussion of the excess grants for 1926-27. The Governor General in Council is in sympathy with the object which the Committee have in view and the matter is already receiving further consideration. It is agreed that it would be advantageous to have in operation, as soon as possible, a manageable procedure for the discussion of the Committee's Reports which would command the assent of the Legislature as a whole and which would lead to useful practical results. But it is not easy to find the right solution of the problem: and it is relevant to observe that, even now, members of the Legislature have the means of bringing under general discussion any question of importance arising out of the Public Accounts Committee's Report.

6. *Paragraphs 17—19 ibid.*—The Committee have satisfied themselves that certain long outstanding controversies relating to the arrangements for the production of salt at Sambhar and Khewra may now be set at rest. The conclusion which has been reached after a careful examination of the latest evidence available is one from which the Governor General in Council sees no reason to dissent. The one specific request made by the Committee has been met. The Central Board of Revenue have already taken the requisite action on the lines of the recommendation made in paragraph 10 of Mr. Pitkeathly's report on the Sambhar electrification scheme. In leaving the matter, the Committee have said that in regard to important schemes of development generally, careful attention should be paid by the authorities concerned, when the schemes are taken up, to their anticipated effect upon the cost of production, having regard to any probable limitations that may exist upon the extent to which output can be usefully expanded. The Governor General in Council desires to endorse these observations.

7. *Paragraphs 20—21 ibid.*—The Committee next refer to certain important questions raised in the past, the disposal of which is in various stages of progress. As regards internal check of Customs receipts, to which the Committee attach special importance, the position is that a measure of reform has since been inaugurated at Calcutta and Bombay and its extension to other ports will be considered in the light of the experience gained at these places. The Governor General in Council trusts that it will be possible to come to a final decision on some of the other matters before the Public Accounts Committee next meet. It has been ascertained that they are receiving proper attention and that delay in disposal is not due to neglect of the Committee's recommendations.

8. *Paragraphs 22—23 ibid.*—The interpretation of the term “new service” appearing in Rule 50 of the Indian Legislative Rules is a matter to which the Committee have devoted considerable attention. They accept the view of the Auditor General that the application of the term to concrete cases could best be governed by the evolution of a body of case law. They recommend that, in placing cases before the Standing Finance Committees, the Government of India should state whether the expenditure is in respect of a new service and that, if audit holds a different view in particular cases, such cases should be brought to the notice of the Public Accounts Committee through the Appropriation Accounts. The Governor General in Council accepts the conclusions of the Committee both in regard to the general question and in regard to their interpretation in the specific cases cited by them.

9. *Paragraphs 26—27 ibid.*—The Committee have not dissented from the conclusion of the New Capital Committee that no loss or avoidable wastage was involved by the departure from contract which was allowed to occur in connection with the supply of marble at New Delhi and agree that the terms of the contract were faulty. They have, however, taken the opportunity to enunciate certain general principles which should be observed in handling business contracts, these being supplementary to the principles set down in paragraph 13 of the Report of the Public Accounts Committee for 1925-26. Arising out of the advice which has been tendered on the subject at different times by the Public Accounts Committee, the preparation of a set of instructions relating to the making, etc., of contracts is already in hand and it is hoped to complete this in the course of the current financial year. Meanwhile the general principles which the Committee have outlined will be communicated to all Government departments for the present guidance of all executive authorities concerned with the making, enforcement, etc., of contracts.

10. *Paragraph 28 ibid.*—The Committee refer to a case in which the representative of an important business concern, with which the Posts and Telegraphs Department has large business transactions, has been allowed for some years the free use of the trunk telephone line between two important places as an act of courtesy. They consider that an extension of the system may easily lead to abuse and accordingly recommend that such concessions should be given in the future only by the Government of India, who should scrutinise the cases jealously and communicate their sanctions to audit. The Governor General in Council agrees in these observations and is glad to note that, in the particular case mentioned, the concession was actually authorised by the Government of India, though the sanction given was not communicated to audit.

11. *Paragraphs 29—30 ibid.*—The Committee were informed that the formulation of general principles and procedure to regulate the enforcement of responsibility for losses was in hand and were apprised in some detail of the lines upon which Government proposed to proceed. It is expected that a full statement on the subject will be issued before the next meeting of the Public Accounts Committee, and in framing this, the further considerations which the Committee have emphasised will be borne in mind. It may be added that, in the meantime, it has been decided that the final authority to settle

the question of disciplinary action in cases of financial loss occurring in the Military Department should be the Government of India. Further, in connection with the embezzlements in Burma treasuries, the Government of Burma have since issued instructions of a more satisfactory and effectual character than had been anticipated at the earlier stages of the correspondence. §

12. *Paragraph 31 ibid.*—In regard to the purchase and accommodation of stores, the Committee make certain observations regarding means by which economy may be secured and losses avoided. The Governor General in Council concurs in these observations.

13. *Paragraphs 32—34 and 37, 71, 74 and 84 ibid.*—The Governor General in Council accepts unreservedly the views of the Committee expressed in these paragraphs in condemnation of lax and irregular practices, their views as regards the need for fore-thought in administering the public expenditure, and as regards the importance of accurate estimating in the first instance and of maintaining subsequently a close watch on the progress of expenditure and the accumulation of further liabilities. It is expected that departments of the Government of India and authorities subordinate to them will deal with individual cases of irregularity which may come before them in the spirit which the observations of the Committee reflect. On the particular case of perfunctory signing of certificates which is referred to by the Committee in paragraph 34, it seems desirable to repeat what was said in paragraph 22 of the Resolution in the Finance Department, No. D.-3546-A., dated the 5th January 1928: “It is imperative that every public officer should entertain the most scrupulous sense of his responsibility in respect of his signature on documents of financial importance, and that failure to do so should be regarded as a serious breach of duty”. It is agreed further that some automatic arrangements should be introduced in the accounts offices generally which will help to diminish the possibility of expenditure being incurred under orders which have a limited currency, after the currency of those orders has expired. It is understood that the Auditor General has already taken action. The Railway Department and the Financial Adviser, Military Finance, are requested to issue such instructions as they may deem necessary on the subject.

14. *Paragraphs 41—42, 53, 55 and 88 ibid.*—The suggestion is accepted that wherever trading and profit and loss accounts appear in the Appropriation Accounts, they should be given for two successive years for purposes of comparison. It is agreed also that a statement showing, for a series of years, the quantity of salt produced and the cost of production at different sources, as also the balance sheet of the Northern India Salt Revenue Department prepared by the Director of Commercial Audit, should be incorporated in the Appropriation Accounts on the understanding that the preparation of the balance sheet by the auditor will not impose upon the departmental authorities any obligation to alter or add to the accounts which they keep at present.

15. *Paragraph 51 ibid.*—In view of the overstocking of quinine sulphate commented upon by the Committee, the contract with Messrs. Howard and

Co. has not been renewed pending the examination of the whole question of quinine arrangements and policy in connection with important recommendations made by the Agricultural Commission.

16. *Paragraph 85 ibid.*—It is certainly desirable that the number of detailed heads should be cut down wherever it is possible to do so without causing any appreciable inconvenience, and the Governor General in Council will be glad if the Auditor General and all accounting officers will lose no opportunity of impressing this *desideratum*, in a practical form, upon the administrative authorities whose co-operation will be necessary.

17. *Paragraph 89 ibid.*—The Committee desire that, in order to facilitate their work, the Appropriation Accounts and connected documents should in future be supplied to the members as they are ready and, further, that copies of any Administration Reports, which are likely to be useful to them in the course of their deliberations, should likewise be supplied. Arrangements will be made to comply with the Committee's requests. It will be convenient, however, if individual members of the Committee will intimate to the Finance Department from time to time the Administration Reports of which they desire to have copies.

18. The action taken by the Governor General in Council on recommendations of the Committee not specifically referred to in this Resolution—especially on those contained in Section IV of the Report, will, in accordance with the usual practice, be communicated to the Committee at their next meeting.

APPENDIX II.

Statement showing the action taken or proposed to be taken on the points which have been noticed by the Public Accounts Committee in their Report on the accounts of 1926-27, but which have not been dealt with in Finance Department Resolution No. D.-1407-A., dated the 17th May 1929.

No.	Recommendations or Observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
1	Propriety of debiting Ecclesiastical charges incurred in connection with the Army to the head "Ecclesiastical" in the Civil Estimates.	Report of 1928, paragraph 25.	The Government have taken up the examination of the question. As the separation of the legal union between the Church of England and the Indian Church will not take place till September 1930, it is too early to say how the creation of an autonomous Church in India will affect the ecclesiastical arrangements made for the Army in India.
2	Claims of the Posts and Telegraphs Department against Railway and Canal Administrations on account of the rentals of telegraph and telephone wires, etc.	<i>Ibid</i> —paragraph 21 (iii).	The conclusions of an officer placed on special duty to examine the question are under consideration. The revised rentals for the use of Canal Administrations will be communicated to Local Governments at an early date and no serious delay is anticipated in the settlement of this matter. The negotiations with the Railways are, however, likely to be protracted.
3	Scrutiny of the rates on the basis of which annual contributions are made to the depreciation fund of the Posts and Telegraphs Department and the consideration of the question of alternative methods of applying such scrutiny. Question whether the Posts and Telegraphs Department may use the accumulations in the fund for its own Capital expenditure.	<i>Ibid</i> —paragraph 35.	These questions are under consideration.
4	Extension of the scope of audit on company lines by Government Examiners.	<i>Ibid</i> —paragraph 36.	The Auditor General has made some recommendations which are under consideration.
5	Settlement of claims by the Imperial Government against Indian revenues mainly in respect of liabilities arising out of the war.	<i>Ibid</i> —paragraph 38.	Efforts to reach a comprehensive settlement of the various claims and counter claims are still proceeding.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
6	Settlement of claims with Foreign Governments in connection with repatriation of refugees from India.	Report of 1928, paragraph 39.	Further amounts aggregating £1,913 were recovered during 1927-28 from the Governments concerned.
7	Loan of £5,000 to the Taj Mahal Trading Company in connection with an Indian Exhibit at the Sesqui-Centennial Exposition at Philadelphia.	<i>Ibid</i> —paragraph 40.	Of the amount £2,500 was covered by security and the balance has been written off as irrecoverable.
8	Question of issuing an up-to-date edition of the Forest Department Code without waiting for the recommendations of the Statutory Commission.	<i>Ibid</i> —paragraph 44.	The Inspector-General of Forests is strongly against the proposal being carried out on the eve of the Statutory Commission's Report which may affect the position materially. The Government of India have accordingly decided, in consultation with the Accountant-General, Central Revenues, to drop for the time being the idea of bringing out a new issue of the Code. Certain portions of the Code will, however, be brought up to date as suggested by the A. G. C. R.
9	Final settlement of the account of timber shipped from Burma and placed with the timber agents in London for disposal.	<i>Ibid</i> —paragraph 45.	In view of the considerable difficulties in the settlement of the account and the disproportionate amount of time and money likely to be expended in such settlement, the High Commissioner has been authorised to enquire from the firm whether they would offer a lump sum for the whole stock in their hands on the 31st December 1928 on condition that the response made by the firm is reported to the Government of India for approval.
10	Control of expenditure against allotment under Grant 30—Foreign and Political Department.	<i>Ibid</i> —paragraph 47.	Necessary arrangements have been made to exercise adequate control over expenditure.
11	Form in which the Accounts relating to the Mathematical Instrument Office, Calcutta, should appear in the Appropriation Accounts.	<i>Ibid</i> —paragraph 48.	The form of accounts referred to has been accepted by the Government of India.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
12	Question of keeping cinchona accounts on a commercial basis both in respect of the transactions of the Governments of Bengal and India.	Report of 1928, paragraph 49.	The Bengal Government are still considering the question of commercialising their cinchona accounts. Until their intentions are known, no progress can be made with the commercialisation of the cinchona accounts of the Government of India which is besides bound up with the problem, now being considered, of making the production and supply of cinchona a function of the Central Government.
13	Improvement on the existing arrangements for verification of stocks of cinchona bark at Mungpoo.	Ibid—paragraph 50.	The Government of India have accepted the proposal of the Director, Botanical Survey that the matter should be referred to the Commercial Auditor who will, it is understood, be deputed to Mungpoo in connection with the commercialisation of the Bengal cinchona accounts. The matter will be considered further when the Auditor has reported.
14	Question whether the system of allocation of fees realised from paying patients treated at the X-Ray Institute, Dehra Dun should not be stopped and whether the officers of the institute should not be debarred from private practice, a suitable compensation being given, if necessary.	Ibid—paragraph 52.	The Government of India have taken steps to put the administration of the Institute on a satisfactory basis. As regards fees realised from paying patients, they have decided that 50% of the amount collected should go to Government and 50% should be distributed among the members of the staff who carry out the treatment.
15	Desirability (a) of the audit irregularities and connected questions relating to the accounts of the Imperial Institute of Veterinary Research and Dairy at Muktasar being disposed of by Government and (b) of steps being taken to improve the administration of the Civil Veterinary Services grant.	Ibid—paragraph 54.	As regard (a), necessary action has been taken and orders are under issue. In regard to (b) the attention of the officers concerned has been drawn to the necessity for improving the administration of the grant: and further specific reforms are contemplated.
16	Form in which the profit and loss accounts and balance sheet of the Mints will appear in the Appropriation Accounts.	Ibid—paragraph 56.	The form of the accounts has been approved by the Government of India and profit and loss accounts for 1927-28 with balance sheets have been appended to the Appropriation Accounts.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
17	Question relating to (a) the revision of rents of residential buildings in Delhi; (b) the loss due to the provision of residences in Simla for the members of the Indian Legislature; (c) the adequacy of rents charged for furniture supplied to Government residential buildings in Delhi; (d) the incidence of expenditure on the residences, etc., of His Excellency the Commander-in-Chief; and (e) the recovery from Commercial Departments of the loss incurred on account of residential buildings supplied to them by the Public Works Department.	Report of 1928—paragraph 57.	(a) The rents of residential buildings in the New Capital Area have been re-calculated with reference to Fundamental Rule 45A and the Supplementary Rules. The re-calculation of rents of residential buildings in Old Delhi is in hand; (b) this question has been settled— <i>vide</i> paragraph 3 on page 367 of the Appropriation Accounts of the Central Government (Civil) for 1927-28; (c) inventories of furniture have been prepared in the case of Bungalows of Hon'ble Members and gazetted officers and clerks' quarters in the New Capital Area and proposals have been submitted to the Government of India in respect of revision of the scales and rents of furniture in these buildings; (d) and (e) the questions are under consideration.
18	Deposit of revenue collections direct into the treasury on a chalan passed by the revenue official concerned.	<i>Ibid</i> —paragraph 58.	To minimise the chances of defalcation of Government money instructions have been issued in consultation with the Accountant General, Central Revenues. There are, however, practical difficulties in the way of direct credit into the treasury of amounts at present received by Judicial Muharrirs, etc. of Tahsils and certain other Government servants. Further enquiry is being made with a view to ascertaining whether at least some of the items of revenue and receipts cannot be credited into the treasury direct.
19	Form in which the <i>pro forma</i> profit and loss accounts in respect of S.S. "Maharaja" should be kept and the question of placing the Commissariat Department on a commercial basis.	<i>Ibid</i> —paragraph 59.	The form of the <i>pro forma</i> accounts of "Maharaja" and "Ahmedi" has been settled. The accounts of the Commissariat Department will be examined by an officer of the Commercial Audit Department deputed to Andamans for the purpose; his report is being awaited.
20	Desirability of instituting a local Pay and Accounts Office at Port Blair.	<i>Ibid</i> —paragraph 60.	A modified proposal is now under consideration to set up a combined audit and account office on the lines of the office of the Audit Officer, Indian Stores Department. A scheme for its introduction will be framed at the first favourable opportunity.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
21	Feasibility of exhibiting separately the expenditure relating to the Moplah settlement.	Report of 1928—paragraph 61.	It has been found, after consultation with the Chief Commissioner, Andamans, that there are practical difficulties in the way of separating such expenditure.
22	Early revision of the Ecclesiastical Rules.	<i>Ibid</i> —paragraph 62.	A draft set of rules has been prepared and the Metropolitan's Chaplain has been asked to examine them in the light of the altered position consequent on the passing of the Indian Church Act and Measure.
23	Audit of secret service expenditure.	<i>Ibid</i> —paragraph 63.	The Secretary of State has been addressed in the matter. His reply has just been received.
24	Progress of the settlement of outstanding claims against some Foreign Governments and Indian States and of the unadjusted balance due by the Gwalior Durbar.	<i>Ibid</i> —paragraph 64.	(a) The claim against the Persian Government is under the consideration of His Majesty's Government. (b) The outstanding claim against the Jaipur Durbar has been finally settled. The Gwalior Durbar have intimated that out of an outstanding balance of Rs. 39,745, a sum of Rs. 37,683 has been paid. The balance of Rs. 2,062 will be settled shortly. (c) The claim against all the Foreign Governments amounted to £50,400 of which £16,615 has been recovered. Negotiations are still proceeding in regard to the balance of £33,785.
25	Settlement of the form of accounts of the Security Printing Press.	<i>Ibid</i> —paragraph 65.	The forms of the accounts has since been approved by the Government of India.
26	Preparation of capital and revenue accounts of residential buildings in New Delhi.	<i>Ibid</i> —paragraph 67.	Please see the remarks in paragraph 2 (b) on page 653 of the Appropriation Accounts of the Central Government (Civil) for 1927-28. The rents of buildings in New Delhi have since been recalculated with reference to Fundamental Rule 45-A and Supplementary Rules. The Capital and revenue accounts will be prepared as soon as possible.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
27	Desirability of coming to a decision on the points referred to in paragraphs 4 and 6 of the Auditor General's memorandum on the working of the Provincial Loans Fund (Appendix X to Public Accounts Committee's Report on the Accounts of 1926-27).	Report of 1928—paragraph 68.	The matter is under consideration.
28	Possibility of remedying a defect in the machinery for executing repairs to buildings in the Posts and Telegraphs Department which causes large variation between estimated and actual expenditure on "Repairs to buildings".	Ibid—paragraph 69.	Revised instructions have been issued which, it is hoped, will enable the spending officers concerned to keep their expenditure on repairs in closer agreement with the budget grants.
29	Suggestion to take steps for the avoidance of over-estimating expenditure under the head 'Radio'.	Ibid—paragraph 70.	With a view to minimising the possibility of lapses in future substantial lump cuts have been made in this section of the estimates for the current year and it is hoped that the experience gained will enable the Director General to bring estimates and actuals into closer touch.
30	Enquiry into the comparative cost of running the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department.	Ibid—paragraph 72.	The Director-in-Chief of the Indo-European Telegraph Department has been requested through the India Office to communicate the results of his detailed enquiry in regard to the comparative cost of running the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department. The reply when received will be circulated to the members of the Public Accounts Committee.
31	Desirability of a speedy improvement in the working of the East Indian Railway Accounts Office.	Ibid—paragraph 73.	It has been reported by Audit that the work of the East Indian Railway Accounts Office has shown improvement, and that many of the old arrears have been cleared. The Controller of Railway Accounts is carefully watching the progress of work in the Chief Accounts Officer's Office through monthly returns.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
32	Question of the improvements in the procedure relating to sales of stores.	Report of 1928—paragraph 76.	Necessary instructions for the accounting of stores have since been issued; <i>vide</i> Financial Commissioner's memorandum on the recommendation of Sir Arthur Dickinson on the system of Stores accounting on Railways (Annexure I).
33	Intimation to the Committee of the decisions taken regarding the recommendations of the State Railway Workshops Committee on the piece-work and bonus systems and the introduction of cost accounting in workshops.	<i>Ibid</i> —paragraph 77.	Necessary instructions on the subject have since been issued; <i>vide</i> Financial Commissioner's memorandum on the recommendations of Sir Arthur Dickinson on workshop organisation and accounting on Indian Railways (Annexure II).
34	Disposal of the building at Nagpur no longer required by the Railway authorities.	<i>Ibid</i> —paragraph 78.	The building has since been disposed of and the original cost written back from Capital to Revenue.
35	Enquiry whether the defect in the arrangements for shipping sleepers after they had been passed in Burma was due to a defect in the contract itself and when exactly the fraud came to light.	<i>Ibid</i> —paragraph 79.	The first question is under examination. As regards the second, it may be mentioned that the fraud came to light in December 1921.
36	Comparison of the expenditure on the crew system on the lines on which it is in force with the recoveries made from passengers travelling without tickets.	<i>Ibid</i> —paragraph 81.	Necessary information for the purpose is still being obtained by the Railway Board.
37	Loss of revenue through claims for hire charges for stock loaned to the Military Department not having been preferred in time.	<i>Ibid</i> —paragraph 82.	The procedure has been revised with a view to watch being maintained over stock loaned to the Army Department and this will obviate the possibility of recovery being lost sight of.
38	Ascertainment of the rules in force on the Army side for the recovery of the sale-proceeds of auctioned materials with a view to their adoption, if necessary, in the Railway Department.	<i>Ibid</i> —paragraph 83.	The procedure on the Army side has been ascertained and the question of issuing suitable instructions on the Railway side is under consideration.
39	Desirability of communicating modifications in the Civil Service Regulations by the issue of correction slips with as little delay as possible.	<i>Ibid</i> —paragraph 86.	A reprint of the Civil Service Regulations has since issued.

No.	Recommendations or observations made by Public Accounts Committee.	Reference to Report.	Remarks.
40	Suggestion that only those cases of authorisation of expenditure in anticipation of the approval of the Standing Finance Committee or of provision of funds should be shown in the Report of the Accountant General, Central Revenues on the Appropriation Accounts of the Central Government (Civil) in which the Audit considers that such approval is necessary in accordance with the principles laid down by the Committee but has not actually been obtained.	Report of 1928— paragraph 87.	The suggestion is accepted by the Government of India.

APPENDIX III.

Statement showing the recommendations or suggestions made by the Public Accounts Committees of 1923, 1924, 1925, 1926 and 1927 on which action is still outstanding.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
1	Desirability of amending the leave rules which seem to be unnecessarily complicated.	Report of 1924, paragraph 33.	The question is under consideration.
2	Preparation and maintenance of an inventory of all Government property, buildings, etc., and the question of the adequacy of the existing system of checking dead stock registers.	Report of 1924, paragraph 35, Report of 1927, paragraph 19 and Report of 1928, paragraph 20 (4).	A memorandum on the subject will be circulated to the members of the Committee— <i>vide</i> Appendix VI.
3	Use of the reserve placed at the disposal of the Finance Department and the question of creating a Civil Contingencies Fund on the English model.	Report of 1925, paragraphs 30-33 and Report of 1926, paragraph 12.	The matter has been left over for enquiry by the Indian Statutory Commission. Meanwhile the procedure described in paragraph 7 of Resolution No. D-1163-A., dated 5th May 1927 (Appendix I to Public Accounts Committee's Report on the accounts of 1925-26) is being observed.
4	Treatment of losses of revenue due to fraud, defalcation, etc., as a form of expenditure, thereby bringing them to the notice of the Public Accounts Committee through the Appropriation Accounts.	Report of 1925, paragraph 38, Report of 1927, paragraph 35, and Report of 1928, paragraph 20(2).	The matter was discussed at the Conference of Financial Representatives in November 1928 and the Auditor General's views on the various points raised at the Conference are awaited.
5	Introduction of a system of internal check on Customs receipts, which will ensure an efficient scrutiny of the collection of such dues.	Report of 1925, paragraphs 40-41, Report of 1926, paragraph 29 and Report of 1928, paragraph 21 (i).	For the action taken on this recommendation, please see paragraph 7 of Resolution No. D-1407-A., dated the 17th May 1929 (Appendix I to Public Accounts Committee's Report on the accounts of 1927-28).
6	Question of enforcing disciplinary action on an officer who has retired between the date of committing an irregularity and the date of its discovery.	Report of 1925, paragraph 43.	The question is under the consideration of the Government of India.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
7	Formulation of rules to regulate the placing and control of contracts in India.	Report of 1925, paragraph 49, Report of 1926, Paragraph 18, Report of 1927, paragraph 13, and Report of 1928, paragraph 27.	Orders of the Government of India will issue shortly.
8	Exhibition of working expenses of commercial departments in the account and estimates.	Report of 1926, paragraphs 10-11.	Proposals were laid before the Secretary of State in 1927. He has decided to postpone consideration pending receipt of the Report of the Statutory Commission.
9	Revision of the Sea Customs Act of 1878.	Report of 1926, paragraph 30 and Report of 1927, paragraph 16.	The draft Bill for the revision of the Act is under consideration.
10	Direct access of the Auditor General to the Secretary of State.	Report of 1926, paragraph 33 and Report of 1927, paragraph 23.	The question has been left for examination by the Statutory Commission.
11	Amendment of the Government of India Act in the manner suggested in the Auditor General's memorandum No. T. 517, dated 30th July 1926 (Appendix VI in Report of 1926) so as to remove the anomalous relations between him and the Auditor of Indian Home Accounts.	Report of 1926, paragraph 41.	The question has been referred to the Statutory Commission for examination.
12	Question of making the Indian Stores Department self-supporting by obtaining more employment for it.	Report of 1926, paragraph 57, Report of 1927, paragraphs 20-21 and Report of 1928, paragraph 31.	The question is still under consideration of the Government of India.
13	Necessity for submitting outgoings on account of Loans and Advances to annual vote.	Report of 1927, paragraph 10(18).	It has been decided to deal with the question in connection with the Report of the Statutory Commission.
14	Question of modifying the system of large annual adjustments in accounts that are now made and substituting accounts arrangements which will represent improved machinery for watching liabilities concurrently with events.	Report of 1927, paragraph 11.	The question is under consideration.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
15	Discussion in general terms of the Report of the Public Accounts Committee in the Legislative Assembly.	Report of 1927, paragraph 11 and Report of 1928, paragraph 16.	A memorandum on the subject will be circulated to the members of the Public Accounts Committee— <i>vide</i> Appendix V.
16	Separate exhibition of the account relating to the non-commercial portion of the work of the Indian Stores Department connected with the development of Indian Industries.	Report of 1927, paragraph 22.	The question is under consideration in consultation with the Audit Officer.
17	Question of a more systematic audit of receipts and stores.	Report of 1927, paragraphs 29-32 and Report of 1928, paragraph 20 (6).	The question is under consideration. A final decision is not likely to be reached when the Statutory Commission is sitting.
18	Transfer of the control of the roads and buildings in the North-West Frontier Province from the Military Engineering Services to the Public Works Department.	Report of 1927, paragraph 47.	The question is under consideration.
19	Recommendation that an opportunity should be given to the Public Accounts Committee or the Legislative Assembly to express their views before the Governor-General declares as non-votable an item of expenditure which has been votable.	Report of 1927, paragraph 59.	The question will be considered in connection with the enquiry by the Statutory Commission.
20	Examination of the question of transferring the control of the Indo-European Telegraph Department to India.	Report of 1927, paragraph 66.	A despatch to the Secretary of State for India on the subject of the future administration of the Indo-European Telegraph Department was issued on the 6th December 1928. No reply has yet been received.

ANNEXURE I:

Memorandum by the Financial Commissioner of Railways, on the recommendations of Sir Arthur Dickinson on the system of stores accounting on Indian Railways.

1. At the last meeting of the Standing Finance Committee for Railways, Mr. Jamnadas Mehta requested that the Committee should be informed of the views of the Government of India on the recommendations made by Sir Arthur Dickinson on the subject of Stores Accounts in order that the Committee might be in a better position to deal finally with the proposals which had been placed before it for the reorganisation of the Superior Stores Establishment on State Railways. The Financial Commissioner explained that Sir Arthur Dickinson's recommendations on the subject of stores accounting had not yet been completely examined but that preliminary memorandum on the subject would be placed before the Committee at its next meeting.

2. In paragraph 197 of Chapter IX of his report, Sir Arthur Dickinson recommends the complete separation of the functions of purchase and custody of stores by constituting a Chief Supply Officer immediately responsible to the Agent who would be authorised to exercise all the latter's powers of purchase. He visualises, however, as an alternative the creation of one Supply Department, under an official of the Railway Board, for all State-managed Railways. The duties that he recommends should be allotted to the Controller of Stores are detailed in paragraph 198 of his report. Briefly, he assigns to this official all the duties that the Railway Board propose to vest in him except those relating to the purchase and supply of stores.

3. One of the principal features of the proposed reorganisation of the Stores Department of the State-managed Railways is the intention, as stated in the memorandum placed before the Committee at the last meeting that "the Controller of Stores should be placed as soon as possible in his proper position as the principal supply officer of the Railway and that he should be responsible not merely for supplying departments with stores as required but for keeping himself fully cognizant of departmental needs, arranging for stocks for day to day consumption, purchasing stores in the best market and advising the Agent generally on matters of supply".

4. The system which the Government of India intend introducing on State-managed Railways provides for a clear separation of the following main classes of duties which will be allotted to the Stores Department:—

1. Supply.
2. Inspection.
3. Store-keeping. (Custody and Control.)

The staff employed on any one of these classes of duties will work quite independently of the others, but they will all work under the orders of the Controller of Stores.

5. This arrangement gives effect to the main principle underlying Sir Arthur Dickinson's recommendations, namely, that the purchasing agency should be kept separate from the inspecting agency, except that the division of the duties is not carried right to the top as recommended by him.

6. The Government of India had carefully considered Sir Arthur Dickinson's recommendations before they finally decided that the responsibilities connected with the Supply, Inspection, Custody and Control of Stores should be vested in one principal officer of the railway instead of two. The decision was taken on grounds both of efficiency and economy. While, as stated previously, the Inspection Branch of the Stores Department will be entirely separate and independent from the Supply Branch, the Government of India consider that a Controller of Stores possessing the experience and qualifications that will be required under the scheme of re-organisation, and whose duties will bring him into contact with the practical day to day needs of the various departments of the railway, will be in a better position to secure stores of the proper quality at the lowest possible price than an officer whose duties are confined entirely to purchasing. It may be added that it is intended that a Tender Purchase Committee shall be appointed on each railway on the same lines as the one already constituted on the East Indian Railway—*vide* paragraph 41 of the memorandum on the proposal for the Separation of Accounts from Audit on Indian Railways.

7. The arrangement contemplated is similar to that in force in the Indian Stores Department which provides for a Director of Purchases and a Director of Inspections each subordinate to the Chief Controller of Stores who is ultimately responsible to the Government of India for the proper working of both branches of the Department.

8. It is hoped that with this explanation the Committee will agree to the proposals for the re-organisation of the Superior Stores Establishment of State-managed Railways.

9. We shall now proceed to consider the various recommendations relating to stores accounting made by Sir Arthur Dickinson.

10. *The Controller of Stores should maintain records in quantity only of all stores under his custody in Main Stores, Shop Stores, Sheds and all other points which cannot be put upon the Imprest system.*

(Paragraph 198 of the Report, Part I.)

This system has been in force for many years on all railways in India and there is no intention of changing it.

11. *The Controller of Stores should have a representative at all places where stores are kept including new construction works, and this representative should be responsible to him for the receipt, safe custody and issue of all stores at these points and should keep quantity records thereof.*

(Paragraph 198 of the Report, Part I.)

This is the general rule proposed by Sir Arthur Dickinson but he makes an exception in paragraph 202 of his report, Part I, in which he says that *heavy material, both on the track, and on construction must necessarily mainly be under the custody of engineers in charge.*

The proposed re-organisation of the Stores Department contemplates the appointment of a representative of the Stores Department on the lines recommended by Sir Arthur Dickinson. As he himself recognises, it will not be possible to have such representatives at all points (see his recommendations in paragraph 202 of the report, Part I, regarding the Imprest system) if unnecessary expenditure in establishment charges are to be avoided. For new construction projects a representative of the Stores Department will be appointed to the charge of the Stores Depots.

So far as the responsibilities for receipt, safe custody and issue of stores are concerned, our existing system is the same as that outlined by Sir Arthur Dickinson. It is based on the principle that a clear distinction should be made between stock materials and special stores obtained for major open line works, new construction and heavy renewals of permanent way. The system is conducive to both efficiency and economy, in-as-much as on the one hand, the activities of the Stores Department are confined within its proper sphere, and on the other, from the Engineer's point of view, the collection of materials is among the first operations that must be conducted before actual construction commences. Double handling and dual control, which are likely to interfere with the proper discharge of functions and which involve additional expenditure on either side, are avoided. Further, the arrangement of sending such material direct to the custody of the engineers does not involve any relaxation of the rules for proper inspection of supplies before delivery is taken by the railway.

12. In defining the functions of the representative of the Controller of Stores, Sir Arthur Dickinson says (paragraph 198, Part I) that *he should also be responsible for keeping a list of construction plant in use and for seeing that it is properly disposed of at the end of the work.*

Our existing system in connection with the execution and accounts of new construction provides for proper arrangements, both in the Engineering and Accounts Departments, in regard to the maintenance of a list of construction plant in use and its disposal on completion of the work, and adequate safeguards exist against loss or fraud. Dual control between the Engineers and representatives of the Stores Department is undesirable and we prefer to retain the present procedure.

13. (i) *The Controller of Stores should be charged with the duty of keeping accounts for all permanent way and construction material as received, until by periodical returns received from the Engineers in charge they are shewn to have been actually used up on the works in hand.*

(ii) *In the case of small permanent-way material, this may involve the construction of a central store on each division from which such materials can be drawn, and for this central store, a stores accounting system should be maintained both by the Controller of Stores and the Accounting Department.*

(iii) *Heavy material, both on the track and on construction, must necessarily mainly be under the custody of the Engineers in charge, but the amounts delivered to them should be kept on the stores accounting records and the Engineers should be required to render monthly returns of the amount consumed and also of*

the amounts, such as old rails and other material, which have come back from permanent way or construction works.

-- The above recommendations (paragraph 202, Part I) bear on the subject of accounting procedure to be followed in the Stores and Accounts Departments in connection with permanent way and construction materials. Our observations on Sir Arthur Dickinson's recommendations are given seriatim as follows:—

- (i) Our existing rules provide for the main stock of such material to be kept in the Stores Department, and for imprests in the hands of Permanent-way Inspectors and other officers to be held under the control of the Engineers-in-charge. The Accounts follow facts, and the duty of keeping accounts naturally rests with the Controller of Stores in the case of stock and with the Engineers-in-charge in the case of imprests. In the general accounts of Railways, however, the latter is invariably treated as part of the stores balance but the detailed accounts are kept distinct from those of ordinary stock. We are inclined to think that this system is based on proper methods of organisation and control and prefer to retain it. We are not in favour of dual control and duplicate accounting in these matters and are satisfied that the existing system is quite satisfactory as it provides in both cases for regular accounts, both numerical and value, being brought under the control of the Chief Accountant, for the verification of permanent way imprests by stock verifiers, and for a constant watch over the quantities fixed for each item of stock or imprest to see that they are not in excess of requirements.
- (ii) The institution of Central Stores, recommended by Sir Arthur Dickinson, is merely a question of practical convenience. Extra cost is invariably involved in establishing such 'Depots'. The requirements of each railway will be considered on their merits and Sir Arthur Dickinson's proposals in this connection will be borne in mind when doing so.
- (iii) The heavy material referred to by Sir Arthur Dickinson is, as a rule, obtained specially for specific works and as already mentioned, such material is in the custody of Engineers-in-charge. In accordance with the principle that accounts should follow facts, our existing system requires that proper accounts should be maintained by the Engineers and not by the Controller of Stores on the basis of monthly returns, as is apparently the intention of Sir Arthur Dickinson. Further, the cost of such material ought rightly to be treated as a liability incurred in connection with the works for which they are obtained. The correct method of accounting, therefore, is to charge the cost of such material to a suspense head in the works accounts. Our existing procedure of operating on the suspense head "materials at site" serves this purpose and we prefer to retain it. We propose, however, to issue strict

instructions for a proper control over such materials, the requirements of which are

- (a) that materials should be obtained strictly in accordance with the detailed provision in the sanctioned estimate and within a reasonable time before the commencement of works,
- (b) that materials not required must be returned promptly to stock or to other divisions where they are likely to be utilised,
- (c) that a strict watch should be kept over the correct receipt of returned materials and their disposal,
- (d) that an annual review should be made of the balance at debit of this Suspense head, as in the case of stores,
- (e) that complete accounts both numerical and value should be maintained by the Engineer-in-charge, and regular monthly accounts of receipts, issues and balances rendered to the accounts Department, and
- (f) that a periodical verification of such material should be carried out.

In certain respects, the above requirements are met by the existing system, while in others, new methods of control are proposed to be introduced. These arrangements and those referred to at paragraphs 14 and 17 of this memorandum are designed to ensure that materials will not lie at the site of works or anywhere else without being recorded in proper accounts of the railway under the control of the Chief Accountant.

We realise that it is important that a strict check should be continuously exercised to ensure a proper observance of these rules. We propose accordingly to issue instructions that it should be regarded as an essential part of the duties of Stock Verifiers to bring to notice any stores not borne on the books of the Railway, and that the Controller of Stores and officers of the Stores, Accounts and other Departments should, when on inspections, enquire into the observance of these rules. If suitable disciplinary action is taken against persons responsible for a failure to observe the rules, the defective procedure, with all its attendant risks of fraud referred to by the Raven Committee, of having possession of material not borne on the accounts books of the railway, will cease. We propose to insist upon such action being taken in future.

14. *Accounts to be maintained by the Accounting Department.*—Sir Arthur Dickinson's main recommendations are contained in paragraph 199, Part I of his report where he says :—

“ The Accounting Department will maintain both money and quantity records over all stores wherever kept with the exception of those stores held by Permanent-Way Inspectors, etc., as specified in Appendix V for each of which an account in money only will be kept by the Stores Accountant and agreed monthly with the value of the actual quantity of stores on hand at the appropriate depot worked out at issue prices.”

The procedure which we propose to prescribe will provide for the maintenance by the Accounts Department of both money and quantity accounts of

all stores wherever kept, including the stocks held by Permanent-Way Inspectors and Imprest holders. And generally we agree with Sir Arthur Dickinson's recommendations that the Stores Accountant need not maintain quantity accounts of the classes of stores referred to in paragraph 251 of Appendix V of his report, Part II.

15. The detailed procedure of accounting recommended by Sir Arthur Dickinson—*vide* paragraph 249 *et seq.* of Appendix V of his report, Part II, follows in the main, in matters of first importance, that already in force on our State-managed railways, and particularly on the East Indian Railway where certain revisions of procedure have recently been introduced, except in regard to the following :—

- (a) the daily posting in the ledger control accounts of the debits and credits (representing the value of the receipts and issues of each depot) and of coal transactions.

We agree as regards stores depots. As regards coal we are inclined to think that this will introduce an unnecessary refinement in the accounts. We propose, however, to investigate this question more fully before coming to a final conclusion.

- (b) the employment of tabulating machines already recommended for workshops stores accounts, *vide* paragraph 221 of Part II of the Report, and of Burrough's machines in the Stores Accounts office—*vide* paragraph 210.

We have already decided to employ a tabulating machine as an experiment in one of our railway workshops. Further action will depend on the result of this experiment. Steps will also be taken as early as possible to examine fully the advantages claimed for the Burrough's machine referred to by Sir Arthur Dickinson.

16. The key note of Sir Arthur Dickinson's recommendations may be said to be the proper maintenance, from day to day of the money accounts relating to the receipts and issues of stores under the responsibility of the Accountant. We accept this recommendation without any reservation. We had recognised its importance before Sir Arthur Dickinson's investigations, and put into force at the Howrah Stores Depot of the East Indian Railway a system designed to achieve this object with the added advantage that, as the work of accounting is done on the spot, it has been possible to reduce the number and volume of returns required from the Stores Department officials.

17. *Paragraph 200 of Part I of the Report.*—Action was taken sometime back by most railways to prevent stores being drawn by workshops from the Stores Department in advance of requirements. The matter is one, however, in which laxity easily creeps in. We accordingly propose to issue general orders insisting on the strict observance of this principle, and requiring that inspections should be made by officials of the Mechanical and Accounts Departments with a view to bringing to notice any failure to observe prescribed rules. We do not anticipate that it will be impossible to adhere strictly to the rules but, if practical difficulties arise in regard to particular shops, we shall consider the system of accounting recommended by Sir Arthur Dickinson.

18. *Paragraphs 203 and 204 of Part I of the Report.*—Sir Arthur Dickinson's recommendation follows the practice in force on our Railways.

19. *Paragraphs 205 and 206 of Part I of the Report.*—We admit the correctness of what Sir Arthur Dickinson says in paragraph 205 of his report.

The position in this respect on the East Indian Railway at the time Sir Arthur made his investigation was extremely bad. It is still unsatisfactory. Special arrangements, including improvements in procedure, have been made to overtake all arrears and at the same time deal promptly with new requisitions. We are not aware that matters are at present in an unsatisfactory state on any other railway. We propose, however, to make enquiries and take necessary steps to improve the position on any administration where the position is unsatisfactory. The basis for determining the maximum stock to be held of the various classes of stores was fixed after careful investigation and in collaboration with railway administrations. No distinction was made between State-managed and Company-managed Railways. We are averse to increasing the limits already prescribed, but will give full consideration to the suggestions put forward by Sir Arthur Dickinson if it is found, as a result of the enquiry we propose to make, that maximum stock balances have in any case been fixed too low to permit of prompt compliance with requisitions.

20. *Paragraphs 207 and 208 of Part I of the Report.*—Instructions have been issued to railway administrations requesting them to take special steps to see that depots act promptly in requisitioning for stores required to replenish stocks.

The question of the transportation of stores to destination has been fully dealt with and steps have already been taken to improve the arrangements in this respect.

21. *Paragraph 210 of Part I of the Report.*—Questions relating to the proper stocking and economical disposal of scrap have continuously engaged the attention of the Railway Board. Every means possible is taken to prevent valuable and useless materials being mixed. Difficulties arise, however, owing to insufficiency of storage accommodation but such difficulties are occasionally of a temporary nature only. The matter is one that requires constant attention and has been impressed on railway administrations.

22. *Paragraph 211 of Part I of the Report.*—Sir Arthur Dickinson here raises a question of far-reaching importance. It will be considered separately together with other allied recommendations in the Report.

23. *Paragraph 212 of Part I of the Report.*—Sir Arthur Dickinson recommends (1) the maintenance of an up-to-date price list of stores, (2) that issues should be priced at the price list rates, (3) that the price list rates should be based on the average price (including percentage addition for stores expense) of the latest receipts up to an amount approximately equal to the quantities on hand, and (4) that the price list should be corrected every month in regard to those items in which the unit rate in the stores ledger (that is the rate obtained by dividing the value by the quantity in stock commonly known as the average ledger rates) differs from the price list rate by $2\frac{1}{2}$ per cent. or more.

The final effect of Sir Arthur Dickinson's recommendations is that stores issues are priced at average ledger rates.

The Government of India have not yet come to a final decision as to the detailed procedure to be followed in the matter of pricing of stores. It is

hoped that it will be possible to place their views before the Standing Finance Committee for Railways in the course of two or three months.

24. *Paragraph 213 of Part I of the Report.*—We agree to adopt Sir Arthur Dickinson's recommendations regarding the preparation of a Manual of Stores Accounts.

25. Sir Arthur Dickinson's observations regarding the distinction between Capital and Revenue stores apparently applies only to the overhead charges levied on stores issued to capital works. No other distinction is made or attempted at present. His observations in this connection will be dealt with when considering the recommendations in paragraph 211 of Part I of the Report.

26. The other recommendations connected with detailed procedure which are contained in Part II of Sir Arthur Dickinson's Report are of minor importance. They will be carefully considered by us.

27. It would be convenient now to summarise in juxtaposition our conclusions in respect of the summary of the recommendations contained in paragraph 214 of Part I of Sir Arthur Dickinson's Report :—

Recommendations.

(a) Classified Price Lists to be maintained.

Government of India's conclusions.

This recommendation is still under examination. It may be mentioned, however, that under existing rules complete Price Lists are maintained by the North Western and Eastern Bengal Railways. Partial Price Lists are maintained by the Great Indian Peninsula and East Indian Railways.

(b) All purchases to be made by a Purchasing Officer.

Purchases will be made on the responsibility of the Agent and Controller of Stores of the Railway. The part of the Stores Department engaged on purchases will be separate and quite distinct from the part engaged on inspection and custody of stores.

(c) The certification and passing for payment of suppliers' bills to be done by the Chief Accountant.

This recommendation is in accordance with the present prescribed procedure for all State-managed Railways which it is proposed to retain.

(d) Unpriced quantity records to be maintained at all workshops, depots, sites, etc., where stores are held and to be written up with the aid of Burrough's machines at places of sufficient size to warrant the use of these mechanical aids.

The first recommendation is agreed to.

As regards the second it is proposed to investigate fully the advantages to be gained by the use of the Burrough's machines for the purposes recommended, before taking a final decision whether they should be employed or not.

Recommendations.

(e) Issues from depots to be made on authorised requisitions only, and not more than one item to be entered on each requisition.

(f) Stores trains to be used for the replenishing of stocks carried by station masters, train examiners, etc.

(g) All materials returned to stores to be classified on receipt and scrap to be further inspected by a Stores Committee before being sold.

(h) The Accounting Department to maintain in the Stores Accounting Division in the Central Office detailed quantity and money records for each commodity at each depot, excepting only Permanent-Way Inspectors' Depots, etc., as particularised in the Appendix.

Government of India's conclusions.

This first recommendation is in accordance with the present prescribed procedure for all State-managed Railways which it is proposed to retain.

As to the second, many railways have adopted this procedure recently. It has many advantages but the great disadvantages in employing it is, that the consumption of forms is very largely increased and there is multiplication of entries in the accounts, with the inevitable result of increased labour and increased establishment costs. For expeditious compliance with requisitions and convenience of accounting, it is necessary that there should be a separate requisition for items stocked in one ward. As Indenting officers are at present not informed of the arrangements of particular wards the alternative course of confining each requisition to one item only is adopted. When the stores depots have been fully re-organised, it will be possible to devise a system by which all Indentors will be acquainted with the stocking arrangements of Stores Depots, and to work efficiently the system of framing Indents as for each ward.

There are distinct advantages in the procedure recommended. It has been worked occasionally on some railways. Railway administration will be instructed to adopt it more generally.

This recommendation is in accordance with the present prescribed procedure for all State-managed Railways which it is proposed to retain. *Vide* paragraphs 14 to 16 of this memorandum.

Recommendations.

(j) The Accounting Department to maintain in a subsidiary ledger control accounts in money only for each depot and the Chief Accountant to govern these by one main stores control account for all depots in the General Ledger.

(k) Every item of stock at every depot to be verified by the Chief Accountant's Permanent Stock Checkers by actual count, weighment, etc., at least twice a year and discrepancies investigated and adjusted.

Government of India's conclusions.

Accepted. We have a similar procedure in force at present.

We propose to retain our existing order which provides for a complete verification at least once a year of each item of stores in the custody of the Stores Department and at least once in two years of permanent-way materials in custody of Engineers and Permanent-Way Inspectors. This will include the verification of all materials at site of works. We shall also prescribe that stores in custody of all imprest holders should be verified at least once in two years.

ANNEXURE II.

Memorandum by the Financial Commissioner, Railways, on the recommendations of Sir Arthur Dickinson on workshop organisation and accounting on Indian Railways.

1. Sir Arthur Dickinson's recommendations on the subject of workshop accounting are contained in Chapter X of Part I of his Report and in Appendices VI and VII of Part II of his Report.

2. He summarises his recommendations in the following terms:—

“ that a system of planning, progressing and scheduling be adopted in all railway workshops, and that a new system of cost and general accounting be put into force under a workshop accountant,” and

“ that all expenses incurred in connection with the workshops which cannot be allocated direct to any specific job or jobs, *viz.*, Repairs to Plant and Machinery, superintendence and depreciation be included as overhead expenses and distributed over the output as a percentage addition to direct labour costs.”

3. The first and most important recommendation that Sir Arthur Dickinson makes is that a system of planning, progressing and scheduling be adopted in all railway workshops.

We are in entire agreement with Sir Arthur's views on this subject and in recent years we have, of our own motion, undertaken the reorganisation of our workshops giving prominence to the introduction of a proper system of planning, progressing and scheduling. We recognise that without it efficient and economical workshop administration cannot be obtained.

Considerable advance in these matters has already been made in the Great Indian Peninsula Railway workshops at Parel and preliminary measures have been taken to introduce these reforms in all the other workshops of our State-managed Railways. We propose to take special steps to accelerate the complete introduction of the system in our larger workshops.

The importance of the question is also fully recognised by the Company-managed Railway.

Sir Arthur Dickinson himself states that the detailed system he has recommended follows the same general lines as that adopted on the Great Indian Peninsula Railway shops at Parel which he describes as a system “based upon the latest and most up-to-date methods”.

It is our intention to secure that the system introduced in each railway workshop is as efficient as that adopted in the Great Indian Peninsula Railway workshops and described in Sir Arthur Dickinson's Report. We propose, for practical reasons, to let individual Railway administration ~~decide~~ their own detailed production methods. This is necessary if the degree of efficiency and economy is to be attained.

4. We would like to make it clear, however, that the method of organisation outlined in paragraph 219 of Pa.

Dickinson's Report, subject to such minor modifications as may be necessary to meet the local conditions or to suit the requirement of smaller shops. We also accept the suggestion made in paragraph 220 of his Report that periodical meetings should be held at least once a month under the chairmanship of the Works Manager for the discussion of matters of importance.

5. In regard to matters of accounts, Sir Arthur Dickinson recommends:—

(i) that the general system of accounting should be revised in certain respects,

(ii) that a proper system of costing should be introduced, and that separate costs should be ascertained for each new or repaired locomotive and for each batch of new coaches or wagons, while all repairs of coaches and wagons should be charged out on four orders only, *viz.*,

Upper Class Passenger carrying Vehicles;

Lower Class Passenger carrying Vehicles;

Other coaching Vehicles;

Wagons;

for each of which orders a total cost should be obtained, which by comparison with the number of vehicles, would give the average cost per vehicle. (Paragraph 225, Part I.)

(iii) that accurate labour costs should be obtained by taking the average rate of all (a) skilled workers, and (b) semi-skilled workers in each shop. (Paragraph 228, Part I.)

(iv) that certain items of expenditure which are at present debited to final heads of the Revenue Accounts should be charged off to jobs as overhead expenses. (Paragraph 230, Part I.)

(v) that overhead expenses should be allocated to each separate shop as far as possible and that shop and general charges should be divided in proportion to the labour costs of each shop and the total labour costs of the whole workshop, respectively. (Paragraph 231, Part I.)

(vi) that a system of mechanised accounting should be introduced for compilation of cost data and records. (Paragraph 402, Part II.)

6. Sir Arthur Dickinson's recommendations in regard to the main accounts of the workshops differ only slightly from our existing procedure, except in that he advocates the use of the sorting and tabulating, the Dalton, the Remington adding and the Burroughs machines for various purposes.

We are in favour of the proposal to employ machines, but we wish to be satisfied by experiment that it will prove profitable to do so. Even in our biggest workshops a doubt exists whether there will be sufficient work for a tabulating machine. We have, however, already decided to employ this machine, and follow as closely as possible Sir Arthur Dickinson's recommendations as regards detailed procedure, in the Tatanagar workshops; and the Moghalpura workshops of the North Western Railway have also recently been making use of a Hollerith tabulating machine. We shall

also try out the Dalton and Burroughs and Remington adding machines for the purposes recommended by Sir Arthur Diekinson.

7. *Costing units.*—(a) In paragraph 225 of the Report, Part I, Sir Arthur Diekinson has recommended that separate costs should be obtained for each new or repaired locomotive and for each batch of new, or each class of repaired, carriages and wagons.

(b) The adoption of the locomotive as the unit of cost is in accord with the views expressed in paragraph 156 of the Report of the State Railways Workshops Committee, 1926, from which an extract is given below:—

“ We consider it necessary to express our disapproval of the practice that has in recent years been adopted of charging all repairs to engines to one Standing Work Order. This has practically resulted in the costing system running to seed and in the Standing Work Order for repairs being used as dumping ground for outstanding balances. It is a pity that, while history sheets of locomotives appear to be carefully maintained and show mileages and details of periodical overhauls and of other repairs, the lumping of work orders has rendered it impossible to indicate simultaneously on the history sheet, the cost of such repairs. The extra expense that may be involved in the cost of allocating charges to each locomotive or various types of locomotives would, in our opinion, be fully justified, as the extremely valuable information that will be rendered available thereby would allow of a close and incessant watch kept over the expenditure on repairs.”

(c) As against the above view it can be argued that if the average cost of repairing the same component part of all engines, or of each class of engine, be recorded, a sufficiently accurate estimate of the repair cost of any individual engine is available by reference to data relating to the details of the actual repairs carried out on that engine, and that when it is desired to ascertain the actual outlay on repairing a particular engine, arrangements may be made in advance to follow this throughout the workshops by the use of special labour and material vouchers.

(d) But such arrangements are likely to come too late to serve any practical purpose in effecting economies in the expenditure on repairs. We admit that undue overlabour of cost accounts, which must necessarily involve additional labour and expense, must be avoided; and that the costing details must be reduced to a minimum; but at the same time we feel that such details must not be reduced to such an extent as to defeat one of the most important objects of cost accounts, *viz.*, control over expenditure. It appears from the Report of the State Railways Workshops Committee that a continuous record of costs of occasional repairs and periodical overhauls, maintained in history sheets in addition to the details thereof, is an invaluable aid in keeping down the expenditure on repairs by a close and constant watch over the repair costs from time to time of each individual locomotive; and that the advantages derived from such a record, more than fully repay the additional expenditure involved in its up-keep.

(e) It seems to be the intention of the Committee that the watch over repair costs should be directed not only to heavy expenditure on such repairs as may be necessary but also to cases in which a locomotive or a boiler has ceased to be worth repairing. This seems to be borne out by the following observations of the Committee on the subject of oncost :—

“ Further, were the indirect charges of the nature we have spoken of above caught up in the routine of costing and presented to the Chief Mechanical Engineer, he would have, in our opinion considered it in many cases, cheaper to replace it with new stock than to carry out repairs. We have noticed, specially in the case of boilers and wagons, repairs being carried out at a stage when they ought to have been condemned and broken up.”

(f) As regards boilers, it will not be out of place to quote the following remarks contained in the Report :—

“ No reliable figures seem to be available on Indian Railways of comparative cost of the up-keep of a boiler during, say, the first ten years as compared with subsequent years, but the general experience in India certainly confirms the results of experiments conducted in Europe and America which all go to show that the cost of repairs to a boiler during the second ten years of its life rapidly rises to a figure which is out of all proportion to the original cost of the boiler.”

(g) The views of the State Railway Workshops Committee are in accord with those on the subject of repairs of workshop plant, as expressed in the following terms in a standard work on Factory Administration and Cost Accounts :—

“ There is undoubtedly difficulty in controlling any class of works expenses when open accounts or standing orders are used by the shops, for the net effect of issuing a list of standing orders is to give *carte blanche* authority, from an accounting point of view, for any amount of expenditure by the Shops under each or any of these orders. In practice, the foreman's responsibility to the Works Manager means the exercise of some discretion in the amount of expenditure. The Works Manager's criticism, however, is apt to come after the event, while, if the periodical expenditure follows a normal average, no matter if really high, the Works Manager can hardly criticise it since he can rarely be in a position to say what it ought to have been. These remarks apply with special force to works repairs, the expenditure on which is so susceptible to judgment or discretion. The use of individual plant orders, is, therefore, recommended to cover each repair just as in the case of additions.”

(h) Further, the recognised commercial practice in regard to plant generally is to keep in the Plant Record a continuous record of the cost of each repair of particular plant. Such a record serves a useful purpose in the

exercise of necessary control and in particular, aims at the important object of bringing prominently to notice whether it would be cheaper to replace than to repair the existing plant. It is well-known that "repairs on a plant tend to increase as time goes on until the repairs become so great that it is no longer economical to operate the plant". It is quite obvious that the more expensive the plant the greater is the economy effected by a proper control over expenditure in this direction and naturally therefore this consideration ought to carry very great weight in the case of locomotives used on Railways, which are very expensive both in initial cost and in repairs.

(i) We consider that it would be useful to compile cost data for each individual engine in order to have an accurate idea of repairs, and to form a correct judgment of the efficiency of each engine on the line.

For new locomotives, we consider it sufficient to ascertain costs of each batch of locomotives of the same type constructed or assembled at one time, as is done at present.

As regards carriages and wagons, we agree fully with Sir Arthur Dickinson's recommendations.

8. *Averaging of wages.*—In paragraph 228 of the Report, Part I, Sir Arthur Dickinson has pointed out that as incremental rates of wages are in force, the labour costs based on actual rates of wages do not correctly represent the value of the grade of work done, and he has therefore recommended that the average rate of skilled and semi-skilled workers in each shop should be taken for purposes of labour costs. It may, however, be mentioned that the adoption of averages, instead of actuals, would be in direct contravention of the fundamental principle that accounts should represent facts. It would also introduce a further complication in the workshop accounts and require a close watch over unabsorbed balances, as set forth in paragraph 237, Part I, of the Report. On the other hand, there seems to be little or no practical advantage in the averaging of labour costs and we do not, therefore, see our way to giving effect to this recommendation.

There is also the point that the rate of wage for an individual workman is determined mainly with reference to his efficiency and as the work on which he is employed will benefit in relation to his degree of efficiency, it is only fair that it should be debited with the cost of his wages and not the average of his class.

9. *Inclusion of overhead charges in the cost of jobs.*—(a) Sir Arthur Dickinson's proposals are contained in paragraphs 230 and 231 of Part I of his Report. Paragraph 231 treats of the basis for distributing the overhead expenses. He recommends that as the railway workshops are organised for the manufacture and repair work of the railway only and are not operating for profit, the basis of a percentage on direct labour cost is sufficiently accurate for all purposes. His detailed recommendation would seem to require:—

- (1) that overhead expenses which cannot be allocated to an individual shop should be distributed over the various shops in the proportion that the cost of labour in each shop bears to the cost of labour in all the shops combined,

- (2) that overhead expenses which can be allocated to each separate shop should be so allocated direct,
- (3) that when all overhead expenses have been so allocated to individual shops the percentage which the overhead expenses so allocated to each shop bears to the total cost of labour in that shop should be expressed as a percentage and the overhead expenses should then be distributed over the various jobs in that shop by that percentage on the cost of the direct labour employed on each job.

Our existing rules provide for the distribution of such charges, as are classified as overhead expenses and general charges, on a direct wages basis. The Great Indian Peninsula Railway, however, has recently applied the more scientific and up-to-date system of separate hourly rates for men and for machines, but this system has not been introduced fully and the percentage on wages basis is still prevalent in many cases. On a full consideration we agree with Sir Arthur Dickinson that the percentage-on-wages basis gives sufficiently accurate results for all practical purposes and we propose therefore to adopt it on all our State-managed Railways.

(b) (i) Sir Arthur Dickinson recommends that the following charges should be included as overhead expenses :—

- (1) Work done in the shops, such as repairs to machines, tools and other plants.
- (2) Wages of foremen, timekeepers, etc.
- (3) Salaries of supervisory and administrative staff (including a proportion of Provident Fund Bonus and Gratuities for good service).
- (4) Other charges to workshops originating in the Central Accounting office or in other Departments of the Railway.
- (5) Depreciation.

He adds that on no account should interest in any shape or form be included in overhead expenses.

(ii) Our existing rules on the subject provide as follows :—

"In framing estimates for the Home line, other Railways, or Government Departments, or for the public, for work to be executed in State-managed Railway workshops, provision must be made for the following percentage charges calculated on the estimated outlay on labour and stores :—

- (i) Supervision 5 per cent.
- (ii) Interest on Buildings and Plant, Depreciation of Plant and Maintenance of Buildings and Plant 5 per cent.
- (iii) Profit, charged only to other Railways (except State-managed Railways), outside public (except employees of the Home line), and all Government Departments 10 per cent.

(1) The charge for profit, on work done in State-worked railway shops for other railways, may be foregone by mutual agreement, or should be levied at such higher or lower rate than 10 per cent. at which other Railway Administrations may agree to reciprocate.

(2) No debit will be raised on any of the above three accounts for works debitable to the Revenue Account of the Home line. In the case of works executed for its Capital Account, the percentage charge for (ii) only will be levied, and that only where the cost of the work done in the shop exceeds Rs. 1,000.

(3) The estimated outlay on stores in the case of work done for other railways (except State railways worked or under construction by the State) and for the public, is the book value increased by 10 per cent.

(4) The 15 per cent. for supervision and profit need not be charged on work done *bona fide* for employes of the Home line, or on works not exceeding Rs. 500 in cost, executed for Indian Auxiliary Force Corps connected with State-worked railways provided that no additional establishment is entertained for such works; but the percentage charge for (ii) above must be debited to such works.

(5) In the case of works or repairs, not exceeding Rs. 500 in cost, undertaken for any other railway, all the charges specified in this paragraph may be remitted, in reciprocation of a similar waiving of such charges by such railway."

These rules are framed on the assumption that as the railway workshops have been designed and are primarily intended for the repair and effective maintenance of the rolling stock and machinery of the railway, it is unnecessary to elaborate the system of accounts and costing on the basis adopted by commercial concern working for profit.

(iii) The subject is one that claimed the attention of the Raven Committee which recorded the following views in paragraphs 159 and 160 of their Report :—

"Repairs to Machinery and Plant in railway workshops total up to large sums of money per annum for each railway and affect directly the costs of maintenance and repairs of rolling stock. The recognised practice in works costing is to treat these charges as elements of oncost that would enter finally into the cost of repairs. The practice that obtains of allocating these charges to a final head of account in the Financial (as distinguished from Cost) Accounts, is responsible for this important factor being lost sight of in considering the cost of a unit of heavy repairs. It would certainly be more satisfactory if a method were devised to allow the expenditure on repairs to machinery in workshops to be included in arriving at the cost of repairs."

"There are other similar items of expenditure which find their way to different detailed final heads under different "Abstracts" of Revenue Expenditure, which may profitably be worked into

workshops repair costs, for instance, provident fund bonus to workshop employees and customs duty and freight charges incurred on stores supplied from Stores Depots for work on Revenue account. Expenditure incurred in the Stores, and Accounts Departments, with respect to the services rendered by these Departments to the workshops, as well as expenditure on certain classes of superior supervising and clerical staff, now charged to "General Administration" may perhaps be susceptible of like treatment in accounts. In any case, such charges have to be considered in instituting comparisons, as between any two workshops with regard to the economy and efficiency with which repair work is being carried out. Further, were the indirect charges of the nature we have spoken of above caught up in the routine of costing and presented to the Chief Mechanical Engineer, he would have, in our opinion, considered it in many cases, cheaper to replace it with new stock than to carry out repairs. We have noticed, specially in the case of boilers and wagons, repairs being carried out at a stage when they ought to have been condemned and broken up. So long as the final administrative control is vested in the Government of India and the principle of healthy emulation as between railways is recognised, the advantages of making cost or financial results comparable in some more details will be manifest and will afford a satisfactory rejoinder to the naive protest commonly met with, that these are refinements in accounting that are not justified in actual practice."

(iv) We have re-examined the question fully and as we are of opinion that the value of each job undertaken in a workshop should represent as closely as possible what it actually cost to produce, ascertained on a basis similar to that adopted in commercial undertakings, we agree to include as overhead charges all the items of expenses mentioned by Sir Arthur Dickinson, except that the charges for salaries of the supervisory and administrative staff we propose, for the present, to confine to the Workshop Manager and his subordinate establishment. Provident Fund bonuses and gratuities of the labourers and other establishments whose wages are charged to the workshops will be included in the overhead expenses debited to the workshops.

(v) We consider that the question whether it would be proper to include as overhead expenses, charges for the salaries and allowances of other supervisory and administrative staff and interest charges requires further examination. Sir Arthur Dickinson gives no reasons for excluding a charge for interest in the cost of jobs undertaken in workshops, while for collieries he recommends, in order that a comparison might be made with the market price of coal, that the price of the output of the Railway collieries should include a percentage to cover a fair remuneration on the capital at charge. We propose to refer separately in a self-contained memorandum for the advice of the Standing Finance Committee for Railways the following questions :—

(1) whether the charges for the headquarters supervisory and administrative staff should be included as overhead charges forming part of the cost of jobs undertaken in workshops ;

- (2) whether such charges should be taken into account in fixing the issue price of stores, and of coal raised in railway collieries;
- (3) whether the issue price of stores should include a charge for other administration and clerical expenses as recommended by Sir Arthur Dickinson in paragraph 211 of Part I of his Report;
- (4) whether the issue price of coal raised from railway collieries, of stores, and the cost of jobs undertaken in railway workshops, should include a charge for interest.

10. *Minor points.*—The following remarks are offered in connection with the minor recommendations contained in Sir Arthur Dickinson's Report:—

- (a) In paragraph 232, Part I, of the Report, Sir Arthur Dickinson advocates the submission to the cost section of all time sheets duly priced on completion of each work order and at the end of each ten days in the case of standing orders. With a proper systematic control on time taken on each job there seems to be hardly any necessity for the submission of time sheets relating to standing orders at intervals of ten days. We are therefore inclined to think that the system of monthly accounts may be allowed to continue and that it should be sufficient if in the case of distinct work orders time sheets are furnished as soon as possible after the completion of the jobs. If we find in practice that delay or want of control occurs in working on the monthly system we will adopt the system recommended by Sir Arthur Dickinson.
- (b) In paragraphs 234 and 235, Part I, of the Report, Sir Arthur Dickinson recommends that loose-leaf cost ledger in the costing section and a workshop ledger in the Accounts section should be maintained, and that the latter should be closed by the tenth of the following month. The existing system of Workshop Account provide for satisfactory records to serve the same purposes as the Ledgers referred to above. We propose to leave it to the Railway administrations to adopt either procedure, but we shall insist on action being taken to speed up the preparation of the Workshop Accounts.
- (c) In paragraph 236, Part I, of the Report, Sir Arthur Dickinson recommends that completed costs in full detail should be in the hands of the Works Manager and other officials within five days after the close of the ten-days period. We propose to make arrangements for supplying the completed costs within five days after completion of the work order or close of the month, as the case may be.
- (d) In paragraph 237, Part I, of the Report, Sir Arthur Dickinson recommends that all unabsorbed balances should be watched carefully from month to month to see that they are kept low and that rates are adjusted as soon as such balances are appreciable. We agree with this recommendation. It is a matter to which we have always given particular attention.

(e) *Time Clocks.* (Paragraph 364 of Part II, of the Report).—We agree with Sir Arthur Dickinson's views and will experiment with the use of Time Clocks.

(f) *Printing Press Accounts.* (Paragraph 454 *et seq.* of Part II, of the Report).—Sir Arthur Dickinson's recommendations imply the maintenance of a system of accounting under which the cost of each form printed in the Press will be completed, and that the consuming department should be charged with the value of stationery and forms used by it. We agree to follow his recommendations.

11. We would like to make it clear that it will take a few years before we fully re-organise our workshops and the system of workshop cost accounting. Special steps will have to be taken to secure the services of qualified Production Engineers and Cost Accountants.

APPENDIX IV.

Statement comparing expenditure with grants for 1927-28.

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
		Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE TO REVENUE.				
16. Customs ..	.. { Voted ..	71,00,000	69,17,737	1,52,263 ..
	.. { Non-voted ..	13,48,018	13,47,372	646 ..
17. Taxes on Income ..	.. { Voted ..	61,48,000	62,10,092	2,37,008 ..
	.. { Non-voted ..	2,81,168	2,70,742	10,426 ..
18. Salt ..	.. { Voted ..	87,33,000	79,67,851	7,65,149 ..
	.. { Non-voted ..	44,30,944	45,75,367	.. 1,44,423
19. Opium ..	.. { Voted ..	89,14,000	85,65,811	3,48,189 ..
	.. { Non-voted ..	78,175	70,195	7,980 ..
20. Stamps ..	.. { Voted ..	6,49,000	5,07,123	1,41,877 ..
	.. { Non-voted ..	..	6,841	.. 6,841
21. Forest ..	.. { Voted ..	7,53,000	6,88,408	64,592 ..
	.. { Non-voted ..	3,84,580	3,36,421	48,159 ..
22. Irrigation, Navigation, etc.	.. { Voted ..	15,11,000	13,02,959	2,08,041 ..
	.. { Non-voted ..	14,00,933	14,25,286	.. 24,353
25. Interest on ordinary Debt and Reduction or Avoidance of Debt.	.. { Voted ..	1,07,07,000	1,06,13,911	93,089 ..
	.. { Non-voted ..	9,24,15,000	9,35,25,897	.. 11,10,897
26. Interest on Miscellaneous Obligations.	.. { Voted ..	20,22,000	29,16,346	5,054 ..
	.. { Non-voted ..	4,85,82,677	4,90,57,403	.. 6,74,726
27. Staff, Household and allowances of the Governor General.	.. { Voted ..	4,15,000	3,61,095	53,305 ..
	.. { Non-voted ..	10,61,650	10,73,047	.. 11,997
28. Executive Council ..	.. { Voted ..	83,000	54,160	28,840 ..
	.. { Non-voted ..	4,85,205	4,24,200	405 ..

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
29. Legislative Bodies	Rs. 5,00,000	Rs. 4,66,234	Rs. 33,766	Rs. ..
... { Voted ..	1,59,100	1,47,089	12,011	..
... { Non-voted ..	7,95,000	7,73,480	21,520	..
30. Foreign and Political Department.	Rs. 2,60,665	Rs. 2,65,736	..	Rs. 5,071
... { Voted ..	5,51,000	5,42,623	8,377	..
... { Non-voted ..	7,78,679	7,65,137	13,542	..
31. Home Department	Rs. 1,14,000	Rs. 1,04,956	9,044	..
... { Voted ..	2,76,000	2,73,247	2,753	..
32. Public Service Commission.	Rs. 5,43,000	Rs. 5,37,576	5,424	..
... { Non-voted ..	1,89,500	1,86,878	2,622	..
33. Legislative Department	Rs. 5,97,000	Rs. 5,76,751	20,249	..
... { Voted ..	1,73,085	1,68,915	4,170	..
34. Department of Education, Health and Lands.	Rs. 10,56,000	Rs. 10,14,866	41,134	..
... { Non-voted ..	2,60,703	2,47,859	12,844	..
35. Finance Department	Rs. 13,59,000	Rs. 13,24,688	34,312	..
... { Voted ..	31,000	29,628	1,372	..
36. Separation of Accounts from Audit.	Rs. 2,89,000	Rs. 2,86,073	2,927	..
... { Non-voted ..	1,05,185	1,01,616	3,569	..
37. Commerce Department	Rs. 5,78,000	Rs. 5,12,245	65,755	..
... { Voted ..	99,000	1,02,337	..	3,337
38. Army Department	Rs. 4,94,000	Rs. 4,60,234	33,766	..
... { Non-voted ..	87,000	83,272	3,728	..
39. Department of Industries and Labour.	Rs. 1,89,000	Rs. 1,77,998	11,002	..
... { Voted ..	1,14,000	1,11,931	2,069	..
40. Central Board of Revenue.	Rs. 1,49,000	Rs. 1,26,430	22,570	..
... { Non-voted ..	1,05,000	90,143	14,857	..
41. Payments to Provincial Governments on account of Administration of Agency Subjects.	Rs. 76,60,000	Rs. 74,35,641	2,30,359	23 ..
41-A—General Administration—Miscellaneous	Rs. 6,70,000	Rs. 6,44,941	25,059	..
42. Audit	Rs. ..	Rs. ..	Rs. ..	Rs. ..
... { Non-voted ..	..	..	..	..

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
			Rs.	Rs.
43. Administration of Justice.	{ Voted .. Non-voted ..	68,000 ..	68,009 ..	.. ..
44. Police ..	{ Voted .. Non-voted ..	1,74,000 ..	1,65,878 ..	8,122 ..
45. Ports and Pilotage ..	{ Voted .. Non-voted ..	22,95,000 ..	19,18,104 ..	3,76,596 ..
46. Survey of India ..	{ Voted .. Non-voted ..	30,98,000 ..	27,45,112 ..	3,52,888 ..
47. Meteorology ..	{ Voted .. Non-voted ..	15,52,000 ..	14,80,553 ..	71,444 ..
48. Geological Survey ..	{ Voted .. Non-voted ..	2,13,000 ..	1,75,635 ..	37,365 ..
49. Botanical Survey ..	{ Voted .. Non-voted ..	5,17,000 ..	4,25,714 ..	91,286 ..
50. Zoological Survey ..	{ Voted .. Non-voted ..	1,65,000 ..	1,61,859 ..	141 ..
51. Archaeology ..	{ Voted .. Non-voted ..	16,27,000 ..	15,05,284 ..	1,21,716 ..
52. Mines ..	{ Voted .. Non-voted ..	1,64,000 ..	1,55,388 ..	8,612 ..
53. Other Scientific Departments.	{ Voted .. Non-voted ..	3,30,000 ..	3,29,700 ..	300 ..
54. Education ..	{ Voted .. Non-voted ..	9,39,000 ..	9,20,638 ..	18,362 ..
55. Medical Services ..	{ Voted .. Non-voted ..	8,54,000 ..	7,71,965 ..	82,035 ..
56. Public Health ..	{ Voted .. Non-voted ..	10,70,000 ..	10,47,442 ..	22,558 ..
				1,114 ..

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
		Rs.	Rs.	Rs.
57. Agriculture ..	.. { Voted ..	18,15,000	13,84,339	1,30,661
	.. { Non-voted ..	2,51,700	2,39,606	12,094
58. Civil Veterinary Services.	.. { Voted ..	6,80,000	6,43,897	36,103
	.. { Non-voted ..	64,500	59,497	5,003
59. Industries ..	.. { Voted ..	2,62,000	2,03,768	58,232
	.. { Non-voted ..	15,05,692	12,55,952	2,49,740
60. Aviation ..	.. { Voted ..	10,14,000	10,06,624	7,376
	.. { Non-voted ..	4,750	4,021	729
61. Commercial Intelligence and Statistics.	.. { Voted ..	2,59,000	2,19,253	39,747
	.. { Non-voted ..	47,043	46,989	54
62. Emigration—Internal	.. { Voted ..	46,000	39,790	6,210
	.. { Non-voted ..	17,326	17,323	3
63. Emigration—External	.. { Voted ..	1,89,000	1,82,163	6,837
	.. { Non-voted ..	55,223	59,915	.. 4,692
64. Joint Stock Companies	.. { Voted ..	1,41,000	1,34,192	6,808
	.. { Non-voted ..	3,000	3,279	.. 279
65. Miscellaneous Departments.	.. { Voted ..	2,29,000	2,01,296	27,704
	.. { Non-voted ..	77,419	76,514	905
66. Indian Stores Department.	.. { Voted ..	16,34,000	15,68,898	65,102
	.. { Non-voted ..	84,000	83,973	27
67. Currency ..	.. { Voted ..	73,19,000	69,55,089	3,63,911
	.. { Non-voted ..	1,36,000	1,22,791	13,209
68. Mint ..	.. { Voted ..	17,72,000	15,03,552	2,68,448
	.. { Non-voted ..	1,05,000	1,03,618	1,382
69. Civil Works	.. { Voted ..	1,47,23,000	1,37,83,935	9,39,065
	.. { Non-voted ..	20,30,963	20,22,258	8,705

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
70. Superannuation Allowances and Pensions.	Voted ..	42,62,000	38,47,528	4,14,472
	Non-voted ..	2,23,89,012	2,16,55,413	7,33,599
71. Stationery and Printing.	Voted ..	34,53,000	25,61,257	8,88,743
	Non-voted ..	62,700	60,713	1,987
72. Miscellaneous	Voted ..	22,30,000	18,68,050	3,67,950
	Non-voted ..	44,72,111	43,09,667	1,62,444
72A. Miscellaneous Adjustments between Central and Provincial Governments.	Voted ..	3,47,000	3,50,431	..
	Non-voted ..	..	..	..
73. Refunds ..	Voted ..	75,58,000	77,15,481	..
	Non-voted ..	1,98,12,637	1,95,67,671	2,44,966
74. North-West Frontier Province.	Voted ..	99,68,000	96,77,371	2,90,629
	Non-voted ..	1,30,35,188	1,28,73,036	1,62,152
75. Baluchistan	Voted ..	27,52,000	27,40,182	11,818
	Non-voted ..	45,43,320	45,19,822	23,498
76. Delhi ..	Voted ..	38,92,000	37,67,070	1,24,930
	Non-voted ..	3,64,293	3,37,001	27,292
77. Ajmer-Merwara	Voted ..	15,38,000	13,43,117	1,94,883
	Non-voted ..	1,25,770	1,24,067	1,703
78. Andamans and Nicobar Islands.	Voted ..	41,16,000	36,51,385	4,94,615
	Non-voted ..	2,07,700	1,80,957	26,743
79. Rajputana	Voted ..	5,45,000	5,20,118	24,882
	Non-voted ..	7,90,582	7,76,522	14,060
80. Central India	Voted ..	6,82,000	6,35,487	46,513
	Non-voted ..	6,79,233	6,58,246	20,987
81. Hyderabad	Voted ..	85,000	43,352	41,648
	Non-voted ..	3,11,640	3,07,430	7,210

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
82. Expenditure in England under the control of the Secretary of State for India.	{ Voted .. Non-voted ..	15,31,000 17,27,000	13,29,752 15,79,715	2,01,248 1,47,285
83. Expenditure in England under the control of the High Commissioner for India.	{ Voted .. Non-voted ..	21,32,000 39,78,000	13,36,049 37,53,177	7,95,951 2,24,823
Ecclesiastical		29,81,159	29,88,655	.. 7,496
Political		95,89,696	98,12,367	.. 2,22,671
Frontier Watch and Ward ..		1,23,62,294	1,27,47,033	.. 3,84,739
Territorial and Political Pensions ..		30,58,895	28,60,956	1,97,939 ..
Bangalore		12,13,221	11,81,642	31,579 ..
Western India States Agency ..		13,69,194	13,09,046	60,148 ..
Total	{ Voted .. Non-voted ..	15,10,91,000 26,44,33,853	14,15,67,129 26,41,71,999	96,85,023 1,61,152 26,64,490 24,02,636
B.—EXPENDITURE CHARGED TO CAPITAL.				
84. Capital outlay on Security Printing ..		30,000	—9,76,513	10,06,513 ..
85. Forest Capital outlay ..		1,000	..	1,000 ..
86. Irrigation works—Not charged to Revenue.	{ Voted .. Non-voted ..	16,93,000 ..	5,702 1,049	16,87,298 .. 1,049
89. Capital outlay on Currency Note Printing Press.	{ Voted .. Non-voted ..	19,16,000 ..	12,57,321 37,256	6,58,679 .. 1,956
90. Capital outlay on Vizagapatam Harbour.		39,43,000	29,04,954	10,38,046 ..
91. Commuted value of Pensions.	{ Voted .. Non-voted ..	25,73,000 ..	26,79,529 ..	.. 1,06,529 4,11,690
92. Delhi Capital outlay ..	{ Voted .. Non-voted ..	65,18,000 ..	39,09,708 7,48,021	26,08,292 .. 14,976 ..
Capital outlay on Bombay Land Scheme		..	20,74,500 ..	.. 20,74,500
Total ..	{ Voted .. Non-voted ..	1,66,74,000 ..	97,80,701 46,07,519	69,99,828 .. 14,976 24,89,195

Number and name of Grant.	Grant.	Expenditure.	Expenditure compared with GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
On Interest on Advances or Loans and Advances.				
53. Interest Free Advances	1,01,32,000	93,73,508	7,59,492	..
54. Loans and Advances bearing Interest	8,74,23,000	8,50,33,971	..	6,12,071
Total voted	9,75,55,000	9,71,07,479	7,59,492	6,12,071
Total Civil	53,18,88,100	51,75,36,817	2,01,23,890	57,72,483
Voted	16,53,21,000	14,87,57,500	1,71,44,343	8,89,652
Never paid	36,65,67,100	36,87,79,313	26,79,466	48,91,831

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART II.—POSTS AND TELEGRAPHES.				
A.—EXPENDITURE CHARGED TO REVENUE.				
23. Indian Posts and Telegraphs Department.	{ Voted .. Non-voted ..	10,54,16,998 70,83,000	10,62,25,766 67,63,840	.. 3,19,160
24. Indo-European Telegraph Department	{ Voted .. Non-voted ..	29,75,000 13,03,000	27,56,470 11,84,674	2,18,530 1,18,326
Total	{ Voted .. Non-voted ..	10,83,91,998 83,86,000	10,89,82,236 79,48,514	2,18,530 4,37,486
B.—EXPENDITURE CHARGED TO CAPITAL.				
87. Capital outlay on Indian Posts and Telegraphs.	{ Voted .. Non-voted ..	59,90,000 20,000	49,34,310 18,597	10,55,690 1,403
88. Capital outlay on Indo-European Telegraphs.	{ Voted .. Non-voted ..	—1,96,000 ..	—2,64,960 ..	68,960 ..
Total	{ Voted .. Non-voted ..	57,94,000 20,000	46,69,350 18,597	11,24,650 1,403
Total Posts and Telegraphs	.. ..	12,26,91,998	12,16,18,697	17,82,069
Total	{ Voted .. Non-voted ..	11,41,85,998 84,06,000	11,36,51,586 79,57,111	13,43,180 4,38,889

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS.*				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board.	{ Voted .. Non-voted ..	9,43,000 5,80,000	8,79,000 4,71,000	64,000 .. 49,000 ..
2. Revenue—Inspection	{ Voted .. Non-voted ..	1,45,000 2,81,000	1,36,000 2,60,000	12,000 .. 21,000 ..
3. Revenue—Audit	{ Voted .. Non-voted ..	9,70,000 67,000	8,61,000 62,000	1,09,000 .. 5,000 ..
4. Revenue—Working Expenses—Administration.	{ Voted .. Non-voted ..	12,49,00,000 50,00,000	12,69,93,000 31,51,000	.. 20,93,000 8,49,000 ..
5. Revenue—Repairs and Maintenance and Operation.	{ Voted .. Non-voted ..	39,67,00,000 1,00,000	39,29,68,000 1,23,000	37,32,000 23,000
6. Revenue—Companies and Indian States' share of surplus profits and net earnings. (Voted).		1,68,00,000	1,57,14,000	86,000 ..
9. Revenue—Appropriation to Depreciation Fund. (Voted).		11,50,00,000	11,37,55,000	12,45,000 ..
10. Revenue—Appropriation from Depreciation Fund. (Voted).		10,20,00,000	10,05,11,000	.. 75,11,000
11. Revenue—Miscellaneous.	{ Voted .. Non-voted ..	20,56,000 5,70,000	19,24,000 7,51,000	1,32,000 1,81,000
12. Revenue—Appropriation to the Reserve Fund. (Voted).		4,73,20,000	4,57,07,000	16,19,000 ..
13. Revenue—Appropriation from the Reserve Fund.		..	..	.. ..
14. Revenue—Strategic Lines.	{ Voted .. Non-voted ..	1,65,10,000 3,35,000	1,56,48,000 3,55,000	.. 1,38,000 .. 20,000
State Railways Revenue—Interest charges—				
1. Interest on Debt (Non-voted) ..	25,91,59,000	25,75,22,000	16,37,000 ..	.. ..
2. Interest on Capital contributed by Companies (Non-voted).	1,51,85,000	1,51,86,000	.. 1,000	.. 1,000
Total ..	{ Voted .. Non-voted ..	82,13,63,000 28,12,17,000	82,40,96,000 27,88,81,000	69,99,000 97,42,000 25,61,000 2,25,000

* In the Audit and Appropriation Account, figures have been given in thousands only. For the sake of uniformity these figures have been shown in this statement by units by adding three noughts to figures given in the accounts.

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	—	—	Rs.	Rs.
B.—EXPENDITURE CHARGED TO CAPITAL.				
7. Capital—New Construction.	{ Voted .. Non-voted ..	8,45,44,000 4,70,000	9,90,24,000 3,82,000	.. 88,000
8. Capital—Open Line Works.	{ Voted .. Non-voted ..	21,02,92,000 1,37,000	21,56,37,000 1,74,000	....
5. Capital Strategic Lines	{ Voted .. Non-voted ..	95,25,000 61,000	95,75,000 51,000	.. 10,000
Capital—Discharge of Debentures (Non-voted).		3,31,86,000	66,78,000	2,65,08,000
Total	{ Voted .. Non-voted ..	30,43,61,000 3,38,54,000	32,42,36,000 72,85,000	.. 2,66,06,000
Total Railways	..	1,44,07,85,000	1,43,44,98,000	3,61,66,000
	Voted .. Non-voted ..	1,12,57,14,000 31,50,71,000	1,14,83,32,000 28,61,66,000	69,99,000 2,91,67,000
				2,96,17,000 2,62,000

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART IV—MILITARY.				
A.—EXPENDITURE CHARGED TO REVENUE.				
Army	<i>India</i> ..	39,47,83,991	38,81,80,362	66,03,629 ..
		12,07,51,280	12,25,67,955	.. 18,16,675
Marine	<i>India</i> ..	56,72,000	47,20,159	9,51,841 ..
		30,93,333	29,16,481	1,76,852 ..
Military Engineer Services ..	<i>India</i> ..	4,43,70,246	4,46,85,677	.. 3,15,431
		—80,333	3,24,259	.. 4,04,592
Total Military ..	Non-voted ..	56,85,90,517	56,33,94,893	77,32,322 25,36,698
<hr/>				
Grand Total ..				
Voted ..				
Non-voted ..				
		2,66,38,65,668	2,63,70,48,417	6,68,04,200 3,89,96,949
		1,50,52,20,998	1,51,07,40,895	2,57,86,523 3,13,06,420
		1,15,86,34,670	1,12,63,07,522	4,00,17,677 76,90,629

APPENDIX V.

Memorandum No. D.-2179-A., dated 1st August 1929, furnished by the Finance Department with reference to paragraph 16 of the Report of the Public Accounts Committee on the accounts of 1926-27.

Public Accounts Committee's Report :—Treatment and Disposal.—This memorandum relates to the treatment and disposal of the annual Reports of the Central Public Accounts Committee (a) by the Legislative Assembly and (b) by the Executive Government.

2. *Present practice.*—In accordance with rule 52 of the Indian Legislative Rules the details of excesses over sanctioned allotments reported in the Central Appropriation Accounts are examined every year by the Public Accounts Committee which in the ordinary course is expected to make a recommendation to the Legislative Assembly that the excess grants be voted. The Public Accounts Committee's Report is accordingly supplied to the members of the Assembly as soon as it is published : but no specific notice is taken of it by the Assembly as a whole till the motion for excess grants recommended by the Public Accounts Committee is moved in the House by the Finance Member under rule 49 of the Indian Legislative Rules. For this occasion a statement of the excess grants required is circulated to the House, and, on the day appointed, the demands are submitted to discussion and to the vote. Prior to this the Executive Government would normally have examined the Report of the Public Accounts Committee and probably have arrived at a decision on the recommendations made. Such decisions are, according to present practice, recorded in a resolution which is published in the *Gazette of India*. This practice dates from the disposal of the first Report of the Public Accounts Committee, *i.e.*, that on the accounts of 1921-22 ; and appears to have been adopted as a matter of routine on the analogy of the practice generally in vogue in regard to the reports of Committees appointed by the Government. Recently, however, a doubt has been felt whether the practice is really convenient and appropriate to the report of a Committee which deals not with a single subject, but with a large number of transactions having no necessary connection with each other.

3. *Discussion in the Legislative Assembly.*—The nature of the discussions which have hitherto taken place in the Legislative Assembly on the occasion of the voting of excess grants may now be briefly described. In 1923 when the first motion for an excess grant was moved by Sir Basil Blackett, he made a few remarks of a general character. He was followed by three other speakers who also made some general remarks, chiefly about the powers of reappropriation exercised by the Executive, the time of production of the Appropriation Accounts, and the question of their amplification. In 1924 no general question was raised, and Sir Basil Blackett merely made a few observations relating to certain of the demands. On the corresponding occasion in February 1926, however, a number of questions of general importance were raised by some members, *e.g.*, on the right of the Public Accounts Committee to discuss items of non-voted expenditure and items of receipts ; on the preparation of the Appropriation Accounts on the lines adopted in the United Kingdom ; on continuity of membership of the Committee ; and on the provision by the Government of a regular opportunity for a general discussion by the Legislative

Assembly of the Public Accounts Committee's Report as a whole. All these questions were raised in connection with the first demand which was then voted. The remaining demands were voted without any further discussion. In subsequent years events followed more or less the same course. There was little debating on the merits of individual demands and the one question which appeared to arouse any general interest was that of securing for the House a formal opportunity of discussing the Public Accounts Committee's Report as a whole. This is, as already indicated, the principal question with which this paper purports to deal: and it now becomes necessary to state in greater detail the considerations which bear upon the answer to it. It is important to note as a preliminary that the Government of India have never wished for any reason to withhold the Report from being discussed in an appropriate manner. The difficulty has rather been to hit upon the suitable procedure.

4. Pronouncements by Government and the President of the Legislative Assembly.—In 1927 the Government of India made their first statement of importance on the subject. Sir Basil Blackett said that he welcomed the idea of discussing the Report on the floor of the House and promised to do his best to make the debate a success, but confessed he was not sure of the form which discussion could take. Subsequently he undertook to request the Leader of the House to give time for the discussion of the Report, if there was evidence of a general desire on the part of the House on any occasion to have such a discussion. Later it was indicated that what Sir Basil had in mind was not to promote a formal discussion on a substantive motion relating to the Public Accounts Committee, but to have a discussion, by agreement, in connection with the first motion for an excess grant, on the occasion when demands for such grants are presented to the Assembly. The advantage claimed for this expedient was that it need not commit the Government or the Assembly to the acceptance of the Report as a whole. Later, however, this method of approach had to be abandoned as a result of the following ruling given by the President of the Legislative Assembly on the 27th March 1928:—

“ * * * * * * * * I invite the attention of the House to the summary of the position as stated in May's 'Parliamentary Practice,' page 536, which I will read to the House:—

‘Debate on Supplementary and Excess Grants is restricted to the particulars contained in the estimates on which these grants are sought and to the application of the items which compose those grants; and the debate cannot touch the policy or the expenditure sanctioned, on other heads, by the estimate on which the original grant was obtained, except so far as such policy and expenditure is brought before the Committee by the items contained in the supplementary or excess estimates.’

“ * * * * * I now rule that no questions of policy can be raised on Supplementary Demands for Grants except to the extent indicated in the summary I have read.”

In the meantime it may be observed that the Public Accounts Committee in 1927 and also in 1928 had recorded a formal recommendation that the Government of India should consider the best method of giving an opportunity to the House for discussing in general terms the Report of the Committee;

and in 1929 when the demand for the first Excess Grant was moved by Sir George Sehuster, the new Finance Member, the request was expressly made that a day should be allotted for the discussion in the Legislative Assembly of the Public Accounts Committee's Report. On this Sir George Sehuster said that, as a constitutional issue was involved, he would prefer to discuss the matter informally in the first instance with the Statutory Commission, and later to confer with representatives of the Assembly, for the purpose of arriving at a definite conclusion. The House appeared, however, to regard this as an inadequate response and the President then ruled as follows:—

“*Mr. President.*—I am sure the House will be grateful to the Honourable Mr. Das for drawing its attention to this most important point. The question raised by him is whether Government should not afford facilities for the discussion of the Public Accounts Committee's Report. The Public Accounts Committee is a creation of this House, and it is only proper that the Report made by that Committee must be discussed on the floor of this House. The procedure to be adopted in doing so is a different matter. The Honourable the Finance Member raises objection to the procedure now proposed to be adopted by Mr. Das, namely, to discuss on this item the question of policy. But, as I understand, the implication of what the Honourable Member desires is not that he wants to discuss the particular question of policy involved in this particular grant, but he wants really and frankly a full discussion on the whole of the Report of the Public Accounts Committee.

“*Mr. B. Das.*—Yes, Sir.

“*Mr. President.*—Therefore, the particular ruling quoted by the Honourable Finance Member does not apply to the question raised. I am clearly of opinion that we should establish a practice in this House by which the Report of the Public Accounts Committee can be discussed fully. I know in some of the provinces the practice has been for the Finance Member to make a motion “that the Report of the Public Accounts Committee be taken into consideration”; and if that motion is carried, he proceeds to make the next motion, “that the Report of the Public Accounts Committee be adopted,” on which amendments are moved by Honourable Members and carried or rejected on their merits. I think that is a practice which we might well copy in this House. But I see the difficulties of the Honourable the Finance Member. This point has been sprung on him as a surprise I understand. As no notice was given to him, I do not think he was ready to meet this point and it is necessary that we should allow the Honourable the Finance Member to consider the whole question and come out with a definite proposal. I make these observations with a view to enlighten the House and for the Finance Member to consider how best to proceed in this matter and explain what the correct procedure should be. It is not possible in this session, at any rate, to introduce this new departure because we have got the excess grants now before the House, and unless the Honourable the Finance Member is prepared to drop them at present and bring them forward at a later stage, such departure cannot be made. I think however he must have some time to consider the whole question, in consultation with the leaders of Parties. In this view I do feel very strongly that the time has arrived when we must adopt the correct practice of affording opportunities for the discussion of the Report of a Committee

which is the creation of this very House, and ask the Government to look into the matter at the earliest possible opportunity."

With the utmost respect to the ruling of the President and with the full realisation that the President was called on to give a ruling without any previous notice on the subject, it should be pointed out that the Public Accounts Committee is the creation not of the Legislative Assembly but of rule 51 of the Indian Legislative Rules. Under that rule, the Committee is appointed in part by election by the Assembly. It is further to be pointed out that if a definite procedure for the discussion of the Report of the Public Accounts Committee is to be devised and brought into execution, the method for doing so is by amendment either of the Indian Legislative Rules or of the Standing Orders of the Legislative Assembly. It is suggested that the Standing Orders of the Legislative Assembly provide the proper place for the insertion of the provisions regulating this discussion.

5. *Difficulties involved.*—There are two main difficulties attendant upon the discussion of the Public Accounts Committee's Report in the Legislative Assembly. The first is the difficulty of securing that the discussion is confined within proper limits. Strictly, the function of the Committee consists in scrutinising the application of the funds voted by the Legislature. In practice, however, it is almost inevitable that its activities should be more widely extended and they are in fact exercised in respect of both voted and non-voted expenditure. Further, the Committee exhibits a tendency to challenge not only the regularity of expenditure but also its justification. If discussion in the Assembly should develop on the same lines, results would follow which were not contemplated by the present constitution and which might, under any form of constitution, be open to serious objection. It must be remembered that the proper function of a Public Accounts Committee is a limited and technical one, and if either the Committee, or the Legislative Assembly in dealing with its Report goes beyond their function and attempts an administrative audit or political criticism of policy, the result may be a waste of public time and the dissipation of energy on discussions for which other and more appropriate occasions are available. A second great difficulty lies in determining the form in which the matter is to be placed before the Assembly and debated there; and at this point it will be convenient to describe the procedure which obtains in the United Kingdom and in the various Provinces in India in respect of the same matter.

6. *The practice of the House of Commons and of the Provincial Legislatures in India.*—The Public Accounts Committee in England reports to the House of Commons, and it is the business of the Treasury to write minutes on its Report. The Treasury is under no obligation to adopt the recommendations but, if it differs from the Committee, it is required to give reasons in its minutes. The question is then reconsidered by the Committee in the following session. If the Committee and the Treasury are unable to come to an agreement the final appeal lies to the House of Commons where, too, the Report as a whole can be discussed.

As regards the procedure in the House of Commons, on the discussion of the Report, it should be observed that the passage in May's Parliamentary Practice (13th Edition, page 488) which is the only relevant passage, describes

not the particular procedure followed on the presentation of the Report of the Public Accounts Committee but the procedure generally followed on the presentation of reports to the House of Commons. When further it is stated in May that on the consideration of the report motions have been made expressing the agreement or disagreement of the House therewith or motions are made which are founded upon or which enforce the Resolution of the Committee, it must not be understood that all these motions have been made on the Public Accounts Committee's Report. The volumes of the Parliamentary Reports have been examined and the results of the examinations are now set out. The first occasion on which opportunity was given to the House to discuss the Report of the Public Accounts Committee was in 1905, mainly as the result of the efforts of Mr. Gibson Bowles. On that occasion (Parliamentary Debates, 4th series, Volume 150, page 420) the motion which was made was "That the four reports of the Public Accounts Committee be now taken into consideration." The motion was moved by a non-official who, it would appear, was the Chairman of the Public Accounts Committee. After a debate of considerable magnitude, the question was put and the motion was adopted "that the said reports be now taken into consideration". There the matter ended, and it is worth noting here that on no occasion was the debate on this motion connected with the demands for excess grants. The history of the report in the following years is as follows:—

1906	..	..	No debate.
1907	..	..	Motion by the Chairman of the Committee that the three reports of the Public Accounts Committee be now taken into consideration. After considerable discussion question was put and agreed to.
1908	..	..	Motion by Chairman of the Committee that the three reports of the Public Accounts Committee be now taken into consideration. After considerable discussion the motion was by leave withdrawn.
1909	..	..	No debate.
1910	..	..	Chairman of the Committee moved that the reports of the Public Accounts Committee be now taken into consideration. After discussion the motion was by leave withdrawn.

In the years 1911, 1912, 1913, 1914 and 1915 there was no debate. In the year 1916, the Chairman of the Committee moved that the reports of the Public Accounts Committee be now taken into consideration. After discussion, the question was put and the motion was adopted. Subsequent reports up to 1929 have been examined and no report of any debate on the Public Accounts Committee's report has been discovered.

7. As regards the various Provinces in India the practice according to information recently furnished, is as follows:—

The Punjab and the Central Provinces have no defined procedure in this connection. Bengal is in the same position but has begun to think of devising a procedure. In the Legislatures of Madras and Burma a motion for consideration of the Report is made but apparently no motion that the Report should be adopted. A motion to adopt was suggested by the President of the Madras Council for the first time in March 1929 but was eventually omitted apparently for the following reason. Formal adoption is held to carry with it the implication that the Council commits itself to every recommendation and remark made by the Committee and this leads to a tendency on the part of the members to amend the Report itself. Such revision is, however, open to the objection that a Report so amended ceases to be a Report of the Committee. For similar reasons the United Provinces Government are considering the desirability of substituting for the motion to adopt, a motion recommending that suitable action be taken on the recommendation of the Public Accounts Committee as embodied in their Report and on the decisions of the Council thereon. In Assam the motion for consideration and the motion for adoption have been made without any untoward consequences. Bihar and Orissa have omitted the consideration stage and proceeded straightaway to adopt the Report; and there has been no discussion so far. The procedure in Bombay has varied; on two occasions the motion sought to approve the Report and to recommend to Government that effect be given to the proposals in the Report, but, on three others, the motion was merely to the effect that the Report be recorded.

8. *Procedure suggested for discussion in the Assembly.*—It would seem that the Legislative Assembly would be well advised to be guided by the experience of the House of Commons. An amendment should therefore be drafted to be inserted in the Standing Orders providing for a debate to be initiated on a motion by the Chairman of the Public Accounts Committee in the following terms, "that the Report of the Public Accounts Committee be taken into consideration". On this debate, the representatives of the different Departments of the Government of India will be called upon to reply to the criticism levelled at their Departments in the matter of their failing to comply with the rules of account to the extent observed by the Public Accounts Committee.

As the motion will be in the hands of the Honourable the Finance Member, the debate will naturally conclude by the putting of the motion "that the Report be taken into consideration" and there will be no further proceedings on the Report.

9. *Procedure for disposal by the Executive Government.*—If a discussion of the Public Accounts Committee's Report in the Legislature is to be introduced as a normal and regular practice, then the part to be played by the Executive Government in their handling of the Report should be appropriately

modified. For example, it would seem necessary that the Resolution on the Report, if the use of a Resolution were to continue, should not issue until after the discussion in the Legislature had taken place. To issue the Resolution in advance would obviously be premature and improper. In an earlier paragraph of this memorandum, however, a doubt has been suggested whether the practice of issuing a Resolution is really convenient and appropriate, and in amplification of what has there been said it may be pointed out that, if a Resolution is to be the vehicle for Government's decisions, then properly speaking, Government should wait before issuing it until decisions have been taken on all the recommendations embodied in the Public Accounts Committee's Report. This, however, would generally mean indefinite delay. There will always be some recommendation or other of the Committee which, though it may be adopted in the end, will require in the first instance careful consideration from the administrative point of view, and possibly consultation may be involved with numerous authorities including those who would be responsible for carrying out the recommendation if adopted. It will be clear that, if Government were always to wait until the last of such cases had been cleared up, the procedure in general would be apt, not unjustifiably, to incur the charge of being dilatory and ineffectual. On the other hand it would be natural for Government to seek to avoid such an imputation by issuing the Resolution very promptly, and then the danger would be that the Resolution would often be a document of little substance. The Public Accounts Committee and the Legislature possibly see this advantage in the Resolution that it gives publicity to the views expressed by the Committee and their criticism of the shortcomings of the Executive, but the mere publicity afforded by the issue of a Resolution does not necessarily ensure the effectiveness which must be the aim both of the Public Accounts Committee and of the Legislature, and it is more important to attach proper weight to the practical considerations involved. It is therefore suggested for consideration, that if normal provision is made for the discussion of the Report in the Legislature, the issue of a formal Resolution might be dispensed with. A natural substitute for the Resolution would be to adopt the English procedure with modifications adopted to Indian conditions. The Public Accounts Committee's Report should always contain from year to year a schedule showing the action taken by Government on the recommendations made in previous years, and year by year the Public Accounts Committee would deal with the facts disclosed in this schedule, and so, it may be assumed, would the Legislature in the course of their full-dress discussion. It may be assumed that, if the Public Accounts Committee is reasonable in its views, the Government also will be reasonable in the attention it gives to the Committee's recommendations, and on this hypothesis the departmental method of treatment here suggested should be sufficient. But if in any case Government should not do what is required, then the matter could always be picked up in the discussion in the Legislature. Indeed, it would always be open to an individual member of the Legislature to move a separate resolution in the Assembly in respect of any matter considered to have received inadequate or incorrect treatment from the Government, and if the complaint had solid foundation, there can be no doubt that such a resolution would find a place in the ballot. The above would be a really effective way of putting pressure upon Government to carry out the recommendations

of the Public Accounts Committee—a much more effective means than is provided by anything in the existing procedure so far as that procedure is specific.

The matter dealt with in this concluding paragraph is really one for the discretion of the Executive Government. They introduced the practice of issuing a Resolution and equally they could discontinue it. It seems desirable, however, not to make a change without, at least, the Public Accounts Committee being taken into Government's confidence. Indeed Government are willing that there should be reasonable consultation with the Public Accounts Committee and the Assembly in regard to the whole body of procedure connected with the treatment and disposal of the Public Accounts Committee's Report.

APPENDIX VI.

Memorandum No. D/2178-A., dated 1st August 1929, furnished by the Finance Department with reference to paragraph 20(4) of the Report of the Public Accounts Committee on the accounts of 1926-27.

The Public Accounts Committee, in paragraph 35 of its report on the accounts of 1922-23, suggested that Government should carefully consider—

(1) whether there should be an inventory of all Government property—buildings, furniture and the like—so that the total value of dead stock in the possession of Government can be determined, at least approximately, and

(2) the adequacy of the existing system of checking deadstock registers.

2. The question was examined by the Auditor General in great detail and his note has since been considered by the Government of India. Their conclusions are set out below.

3. As regards the second suggestion of the Committee, the Auditor General has expressed the following opinion :—

“ I am of opinion that it is impossible to deal with the second suggestion of the Committee at the present juncture. I am of opinion that the primary function of the Public Accounts Committee in an important matter like this is to initiate the evolution of fundamental principles and then to assist Government in making a complete and accurate statement of those principles. Practical application of the principles is a matter which should be left to the administration, the Public Accounts Committee relying upon the Auditor General to call attention to those cases in which the administration seems to have departed from the principles which have been jointly accepted by the Public Accounts Committee and by the administration ”.

The Government of India agree with the Auditor General that this is a matter which should be left to the administration and accordingly do not propose to pursue the question further in the present connexion.

4. The avowed intention of the Public Accounts Committee in making the first suggestion is to enable Government to arrive at an approximate value of the whole of its dead stock. The expression dead stock covers land, salt mines, coal mines, factories, machinery, buildings, houses, furniture and innumerable other articles. Any attempt to enumerate and evaluate all dead stock property of Government if not wholly impracticable would at any rate involve enormous labour and Government would not be justified in undertaking the task unless they were satisfied that the value of the results which can be obtained therefrom outweighs the cost, duration and laboriousness of the processes involved. The Government of India can not however conceive of any useful purpose being served by a valuation of all Government dead stock unless the figure is essential for an entry in a complete Government balance-sheet. No such balance sheet is at present prepared and here again, the Government must weigh the possible value of such a balance-sheet against the

its preparation. One of the important factors constituting the value of a balance-sheet must be its approximate accuracy and apart from every other consideration it has to be recognised that an inventory or a balance sheet which took many months or more probably many years to compile could not be expected, owing to intervening changes, to correspond with any useful degree of accuracy to the facts of the time at which it would be completed. The Auditor General therefore advises that the practical benefit to be obtained from an inventory of all Government dead stock would not be worth the very considerable cost which would inevitably be entailed in making it. The Government of India entirely agree with the Auditor General.

5. If the above view is accepted, the further questions that arise are—

- (1) Is there any dead stock for which the preparation of an inventory is desirable?
- (2) In respect of dead stock for which the maintenance of an inventory is desirable, is there any for which a mere numerical inventory would suffice?
- (3) Should the inventory be maintained in individual offices or should consolidated inventories be maintained?

6. The mere maintenance of an inventory suggests that there will be a certain amount of permanence in the utilisation of the items entered therein. Consumable and perishable articles, which come under the term "stores" would not, therefore, find a place in the inventory of dead stock. Lands, buildings, plant and machinery, furniture and fixtures may be treated as dead stock. The Government of India consider, however, that it is superfluous to maintain an inventory of lands, buildings and other items of immovable property which cannot be disposed of without the knowledge of the authorities concerned. The inventory would thus be confined to plant and machinery, furniture and fixtures. The question of Government stores is dealt with separately in a later passage of this memorandum.

7. As regards the second question raised in paragraph (5), the Government of India propose to lay down the following principles :—

- (1) Whenever dead stock has to enter into the block account maintained for a Government commercial undertaking, the inventory of that dead stock should be priced.
- (2) Whenever the value of dead stock is necessary in order to enable Government to calculate the charge which should be levied upon private persons or bodies, the inventory of such dead stock should be priced.
- (3) As regards other items, a numerical inventory would suffice, except for articles costing above Rs. 25.

8. As regards the third question raised in paragraph (5), the Government of India propose to enunciate the general principle that an inventory should be maintained at the site of the dead stock. Whether it is desirable in any particular cases to depart from this general principle or to maintain additional consolidated inventories elsewhere are matters of practical administration

rather than of principle and will be decided by the Government of India on the merits of each case. The inventories should be checked by competent administrative authorities once a year.

9. If the Public Accounts Committee accepts the above principles, the Government of India will issue orders on the above lines and the existing practice in the various Departments will be scrutinised in the light of those orders and, as far as possible, brought into harmony therewith.

10. As regards consumable and perishable articles, which come under the term "stores", the Government of India propose to issue the model rules attached to this memorandum (Annexure). The more important Departments, which have large stores transactions, e.g., the Military, the Public Works, the Indian Stores, the Forests and the Survey of India Departments, have already detailed stores accounting rules, and it is not intended that the model rules now to be issued should replace the existing detailed rules of any Department. These rules will be published merely as model rules to be applied, with or without modifications, as the circumstances require, at the discretion of the competent administrative authority, in any Department, office or institution, where no such rules exist at present or where the existing rules are defective. It will be the duty of audit officers to bring to notice cases in which there is a *hiatus* to be filled by the application of these rules and cases in which losses to Government could have been avoided by the use of the rules.

ANNEXURE.

Draft model rules governing the maintenance, etc., of inventories of Government Stores.

1. A reliable list, inventory or account of all stores in the custody of Government servants must be maintained, in a form prescribed by the competent authority, to enable a ready verification of stores and check of accounts at any time, and transactions must be recorded in it as they occur.

2. Priced lists, recording both quantities and values, must be maintained in cases where the stores are intended to be converted into money or where it is desired to distribute their cost over the works, items or objects on which they are actually used. In such cases, the expenditure on stores must be charged to a stores suspense head in the first instance.

3. Purely numerical inventories, recording quantities only, will suffice in cases when the stores are intended solely for the service of the department keeping them and it is not desired to distribute their cost. In such cases, the expenditure on stores must be charged off finally to the service concerned.

NOTE.—In some cases it may be found necessary to show prices against some articles, say when, for facility of identification or other reason, it is desirable to distinguish costly articles from cheap articles bearing the same general description otherwise. Such articles should not be treated as priced articles if the requirements of this rule are otherwise satisfied.

4. The lists, inventories, or accounts of stores will in all cases be subject to such internal check as may be prescribed by the competent authority, whether or not they are subject to any check by the Audit Officer.

5. A physical verification of all stores must be made at least once in every year under rules prescribed by the competent authority and subject to the condition that the verification is not entrusted to a person—

- (i) who is the custodian, the ledger keeper, or the accountant of the stores to be verified, or who is a nominee of, or is employed under, the custodian, the ledger keeper, or the accountant, or
- (ii) who is not conversant with the classification, nomenclature and technique of the particular classes of stores to be verified.

The verification must never be left to low paid subordinates, and in the case of large and important stores, it should, as far as possible, be entrusted to a responsible officer who is independent of the superior executive officer in charge of the stores.

6. In making a physical verification, the following instructions must invariably be observed :—

- (a) Verification must always be made in the presence of the officer responsible for the custody of the stores or of a responsible person deputed by him.
- (b) All discrepancies noticed must be brought to account immediately, so that the stores account may represent the true state of the stores.

(c) Shortages and damages, as well as unserviceable stores, must be reported immediately to the authority competent to write off the loss.

7. Balances of stores must not be held in excess of the requirements of a reasonable period. In order to ensure the observance of this rule, a periodical inspection must be made by a responsible officer, who must submit a report of surplus and obsolete stores to the authority competent to issue orders for their disposal. The inspection must be made six-monthly in the case of perishable stores and once a year in the case of other stores unless there be good reason to the contrary. Stores remaining in stock for over a year should be considered surplus unless there is any good reason to treat them otherwise.

8. The previous sanction of the competent authority should be obtained to the sale of stores regarded as surplus or obsolete, and to the write off of the value of stores.

9. Where a priced inventory is maintained, it is essential that the values recorded therein shall not be materially in excess of the market value of the stores. The head of the Department concerned must issue instructions to govern—

- (a) the fixation of prices with reasonable accuracy;
- (b) the periodical review and revision of rates; and
- (c) the agency to be employed in periodical re-valuation.

NOTE.—The 'market value' of an article, for this purpose, means the cost per unit at which the article, or an article of a similar description, can be procured at a given time, from some suitable public markets. It should be inclusive of carriage and incidental charges, and may even include a reasonable provision for wastage, breakage and depreciation, when these are inevitable.

10. All losses must be duly recorded and formal sanction of the competent authority must be obtained in respect of them even though no formal correction or adjustment of accounts is involved.

11. (a) Losses due to depreciation must be analysed and recorded under the following heads, according as they are due to :—

- (1) Normal fluctuation of market prices.
- (2) Fair wear and tear.
- (3) Lack of foresight in regulating purchases.
- (4) Neglect after purchase.

() Losses not due to depreciation should be grouped under the following heads :—

- (1) Losses due to theft.
- (2) Losses due to neglect.
- (3) Losses due to an act of God.
- (4) Anticipated losses on account of surplusage of obsolete stores or of purchases in excess of requirements.

APPENDIX VII.

Memorandum furnished by the Auditor General with reference to paragraph 80 (e) of his letter No. T.-685-Rep./12-29, dated the 28th June 1929.

It was suggested in paragraph 5 on page 665 of the Report by the Accountant General, Central Revenues, on the Appropriation Accounts for 1927-28, that, as the report of the Government of India on the working of the Provincial Loans Fund during 1927-28 had not been published, no audit comments thereon could be offered.

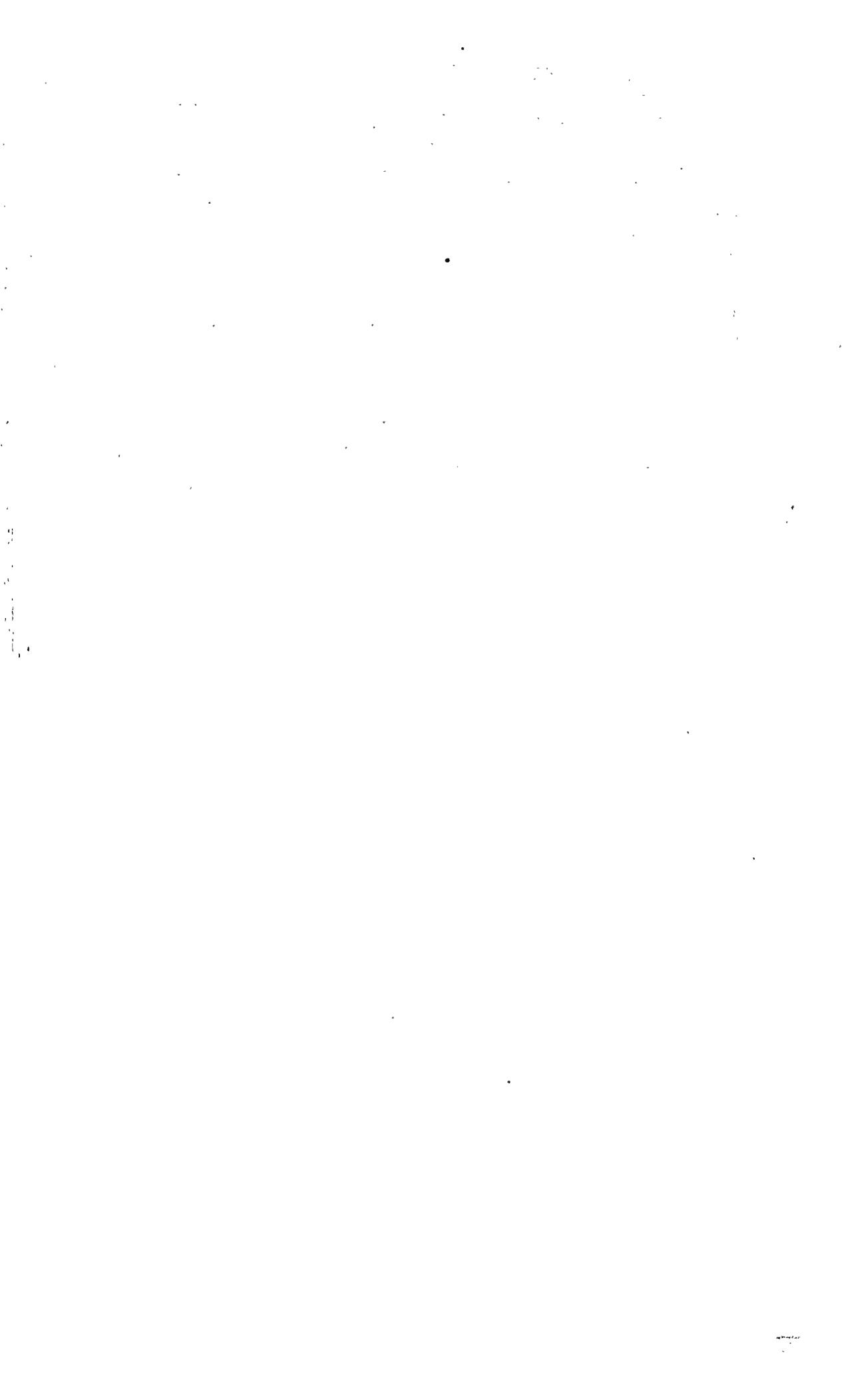
2. The Report has since issued and has been scrutinised by the Accountant General, Central Revenues. The only comment that need be made is contained in the following paragraph.

3. *Paragraph 11 of the Government Report.*—The Government of India originally decided that the advances on account of the Bombay Development Department were for expenditure classed as non-productive. The decision of the Government of India to charge interest on these advances at the standard rate is not in accordance with Rule 11 of the rules constituting the Fund (Government of India, Finance Department Resolution No. D.-1250-F, dated the 25th March 1925) which does not contemplate any exceptions being made to its provisions. The rule reads as follows:—

“ The standard rate of interest will be charged by the Fund to the Provinces on all advances required for capital expenditure which can be classed as productive under the rules on the subject approved by the Secretary of State and for ~~making~~ advances to cultivators and to co-operative societies and loans to local bodies. For all other advances, the rate will be $\frac{1}{2}$ per cent above the standard rate ”.

The question of amending the Provincial Loans Fund Rules is however, under the consideration of the Government of India.

4. A reference is invited to paragraph 7 of the Memorandum containing my comments on the report on the working of the Provincial Loans Fund during 1926-27. The certificates referred to therein have been received from all Provincial Accountants General concerned except the Accountant General, Bombay, who is unable to furnish the certificate ~~and~~ the opinion of the Government of India on the repayment schemes of the Bombay Government are desired.



APPENDIX VIII.

Memorandum furnished by the Auditor General with reference to para. 46 of the Public Accounts Committee's Report on the accounts of 1926-27.

With reference to paragraph 46 of the report of the Central Public Accounts Committee on the accounts for 1926-27 and to questions 416—419 recorded in Volume II of the same report, an enquiry was instituted in order to ascertain whether the rule which prescribes that the works expenditure debited to the Irrigation heads "XIII" and "15" should be doubled for the purpose of *pro rata* distribution of establishment charges is followed in the areas administered by the Central Government; and, if so, whether the accuracy of the assumption on which that rule is based, that the work of the executive branch of the Irrigation Department is equally divided between Maintenance and Revenue, has been tested.

2. It is understood that, so far as the North-West Frontier Province is concerned, the local Administration decided in 1927, in consultation with the Accountant General, Punjab, that the time spent by the Executive Establishment on purely Revenue work was equal to that devoted to works expenditure debited to the Irrigation heads "XIII", "15" and "55", and that this proportion should be the basis of the *pro rata* distribution of establishment charges.

3. As regards other Central areas, it has been ascertained that the Executive branch of the Irrigation Department does not supervise the collection of Irrigation revenue, and the rule of *pro rata* distribution mentioned above does not, therefore, apply in those areas.

APPENDIX IX.

Memorandum furnished by the Auditor General reporting the result of a study of the Statement of Accounts (1926-27) of South African Railways and Harbours.

The Auditor General receives annually from the authorities of the Union of South Africa, a copy of a publication known as the Statement of Accounts of South African Railways and Harbours with the Report of the Controller and Auditor General.

2. The statement for 1926-27 was subjected to a detailed examination with the object of ascertaining if there were any features of the South African published accounts which could be recommended to the authorities in India for adoption in respect of Indian Railway Accounts.

3. The enquiry established, at an early stage, that the South African publication includes in one compilation, information which, in the case of the Indian Railways is scattered over a number of publications, e.g., the Capital and Revenue Accounts of individual Railways, the Administration Reports of the Railway Board, the Finance and Revenue Accounts of the Government of India, the Executive Report and the Appropriation Accounts and the Report thereon, and to a certain extent also the annual statistical publications of the Government of India.

4. As a result of this preliminary enquiry the Auditor General was satisfied that it was not necessary to suggest the compilation in India of a single statement similar to that used in South Africa, as that would entail considerable alteration of the Finance and Revenue Accounts of the Government of India and also of some of the other publications referred to above. Besides, since the enquiry had been started, the position had been radically altered by the decision that in future the Railway Board would be responsible for the maintenance of the accounts, and the Auditor General merely for the audit thereof. It would, therefore, be the duty of the Railway Board, and not of the Auditor General, to suggest any such modification of the existing reports of the administration.

5. For the above reasons the scope of the enquiry was narrowed down with the object of suggesting which of the main features of the South African publication are of sufficient importance to warrant inclusion in the Appropriation Accounts submitted to the Committee on Public Accounts. The result of this is embodied in the following paragraphs for the consideration of the Government of India and the Committee on Public Accounts.

6. In the South African Statement the results of working of several years are compared, and comments are offered where necessary on the operating ratio. In India the Report of the Director of Railway Audit on the Appropriation Accounts (Section II, Review of Finance) contains separate statements, of operating ratios under principal heads for each Railway as compared with those for the preceding year and explanations of reasons for variations in these ratios are furnished in the subsequent paragraphs, *vide* paragraphs

48 to 53 on pages 18 to 21 of the Report on the Appropriation Accounts of Railways for 1926-27. It will probably be an advantage to add a comparative statement of the operating ratios for each Railway for several years past.

7. Again, in the South African Statement a brief summary is given of the results of stock-taking so as to bring out the gross surpluses and the gross deficiencies separately and these are compared with the corresponding results of the previous year. It would perhaps be an advantage to provide, in the relevant portion of Section IV of the Indian Report on Appropriation Accounts, for a similar presentation of the results of stock verification of each work separately.

8. The notes appended to the Appropriation Accounts of the South African Statement are very interesting. Some of the notes set forth the figures of the gross expenditure of those branches of the Administration and activities, only part of the cost of which is charged in the Appropriation Accounts. Some notes single out for special mention the important facts of a scheme or object of expenditure which does not appear, by itself, as an item of expenditure in the Appropriation Account. Again some notes describe briefly experimental schemes undertaken or abandoned. Others attempt to present, in one form or another, an intelligent analysis of some of the accounts transactions. It is a question for consideration if this feature of the South African Statement may be adopted in the Report on the Indian Appropriation Accounts.

9. The other remarkable features of the South African Statement do not concern the Auditor General in India as stated in paragraphs 3 and 4 above. Attention may, however, be drawn to one such feature, in case the Committee on Public Accounts desire to make any recommendation with reference to it. In the general report portion of the South African Statement, a somewhat detailed analysis is given in intelligent form of the accounts under each head of account not only explaining the head and all important items under it, but also making suitable comments on variations from figures of previous years and on other points of general interest. Comments are made even when no adverse criticism or objection from the point of view of audit is involved. A brief narrative account of the transactions is often given along with a copy of the correspondence with the Auditor General even when the case is still not settled or there is no audit objection to be pressed or other action to be pursued.

APPENDIX X

Proceedings of the First Meeting of the Committee appointed to examine the Appropriation Accounts of the Army, Marine and Military Engineer Services for 1927-28, and the Report of the Director of Army Audit thereon, held on the 1st August 1929 at 11 a.m.

PRESENT :

The Honourable Mr. E. BURDON, C.S.I., C.I.E., I.C.S., *Chairman.*

Mr. J. E. C. JUKES, C.I.E., I.C.S., *Member.*

Sir FREDERIC GAUNTLETT, K.C.I.E., K.B.E., I.C.S.,
Auditor General.

Mr. G. R. F. TOTTENHAM, I.C.S., Army Secretary.

Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Financial Adviser,
Military Finance.

Lieutenant-Colonel S. G. V. ELLIS, D.S.O., Military Accountant General.

Mr. A. G. BARR, O.B.E., Director of Army Audit.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser,
Military Finance.

Were also present.

At the outset the Honourable Mr. Burdon stated that, as the Hon'ble Finance Member had not been able to return from tour in time to preside over the meeting, he had asked Mr. Burdon to preside. Mr. Burdon accordingly took the chair.

2. As a preliminary point both the Financial Adviser, Mr. Brayne, and Colonel Ellis, the Military Accountant General, wished it to be understood that they were not holding their present offices during the year under report and that consequently, though they were officially responsible for the estimates, they could not speak with personal knowledge in respect of many of the transactions which formed the subject of comment.

3. *Paragraphs 3 and 4 of Appropriation Accounts.*—At the suggestion of Mr. Burdon, the Committee agreed that at the end of its examination of the Accounts and connected documents it would return to the topic here discussed, *i.e.*, the merits of the change from cost accounting to a cash system of budget and accounts, and would endeavour also to frame a general appreciation of the results of the year under report so far as the effectiveness of audit and administrative financial control are concerned.

4. The Committee then proceeded to examine Appendices A and B of the Appropriation Accounts showing the action taken or proposed to be taken on the recommendations and observations of previous Military Accounts Committees.

Item 1 of Appendix A.—In paragraph 5(a) of his letter dated the 11th June 1929 dealing with Appendix A as a whole, the Director General

observed that it is unfortunate that the orders of the Government of India on the last report of the Public Accounts Committee had not been issued before he had to comment on these Accounts and that the Committee may desire to impress on the Government of India the desirability of issuing orders on these Reports before he has to deal with the Accounts of the following year. Actually the Resolution of the Government of India on the last Report of the Public Accounts Committee was issued on the 17th May 1929, that is, before the date of the Auditor General's letter but after the date on which it was necessary for the Auditor General to take up the consideration of the Report of the Director of Army Audit; and it is admitted that the issue of the Resolution was on this occasion considerably delayed. It was explained to the Committee on the other hand that the Government of India have under consideration certain fresh aspects of the general question of the treatment and disposal of the annual Reports of the Central Public Accounts Committee (a) by the Legislature, and (b) by the Executive Government, and a memorandum on the subject has been prepared which it is proposed to present to the Public Accounts Committee for their consideration and for the formulation of definite suggestions as regards future procedure. This memorandum will explain *inter alia* why delay is not always avoidable if the vehicle for the orders of the Executive Government on the reports of the Public Accounts Committee is to continue to be a formal comprehensive Resolution.

The Committee agreed that the point raised by the Auditor General merges in the larger question and in the consideration of that question, which is contemplated, by the Public Accounts Committee.

5. *Item 3 ibid.*—The Committee observed that the system should have the further advantage of reducing diversity of audit decisions on the same audit point, and that this was a very important consideration particularly in the case of the Army administration, the personnel of which move about from one audit area to another more than is the case on the Civil side.

6. *Item 4 ibid.*—The Committee cannot regard it as satisfactory that the Report of the second Innes Committee has not yet been submitted as a whole for the orders of the Government of India. Mr. Brayne was requested to furnish a statement* showing the position up to date as regards individual recommendations of the Innes Committee, that is to say, those which have so far been accepted, those which have been rejected, and those which have so far not been accepted. The statement should include figures exhibiting the net financial effect of what has so far been done, both as regards officers and clerks, and account should also be taken of appointments, which have been added to Army Headquarters since the Innes Committee reported. The Committee further expressed the hope that before it meets next year the Report of the Innes Committee will have been disposed of comprehensively and finally by the orders of the Government of India, and desired that a final statement giving in detail the effect of the orders of the Government of India might be placed before the Committee.

* The statement was subsequently received but is not incorporated in these proceedings as it does not give the final results which are not yet available.

7. *Item 5 ibid.*—The Financial Adviser intimated that the report on this item contains statements which on his present information do not appear to reflect the position altogether correctly. The Committee desired that the Master General of Ordnance should be asked to furnish further information on the whole subject.

The Financial Adviser was requested to indicate clearly in future reports whether individual explanations given by administrative authorities have or have not been verified by him.

8. *Item 6 ibid.*—The Committee was informed that the sanction of the Secretary of State had been received to the continuance of the existing arrangement for a further period of 5 years.

9. *Item 7 ibid.*—The Committee was informed that orders of the Government of India accepting the recommendation of the P. A. C. are under issue.

10. *Items 9 and 10 ibid.*—The position was further explained to the Committee, who recognised that it would probably be difficult to devise a better working arrangement adapted to the special circumstances of the period. The Committee pointed out that, so far as possible when funds were taken into the pool the allotment from which they were withdrawn should be specifically reduced. The Committee desired to have a further report on the working of the arrangements next year.

11. *Item 11 ibid.*—This point has been dealt with in paragraph 13 of the Resolution of the Government of India on the Report of the last Public Accounts Committee, dated the 17th May 1929.

12. *Item 12 ibid.*—The Committee were informed that it had been decided to apply to military transactions by executive order in anticipation of a more general decision by the Government of India, the general principles enunciated by the Public Accounts Committee; orders have been prepared and will shortly be issued.

13. *Item 15 ibid.*—The Committee was informed that a complete reprint of the Civil Service Regulations had recently been issued. Further the Civil Service Regulations are now statutory and all amendments thereto are passed by the Secretary of State in Council by means of resolutions. Those resolutions are published in the Gazette of India for general information and correction slips based on the resolutions are then issued by the press to all who subscribe for such slips.

14. *Item 17 ibid.*—On consideration of certain further information given by the Financial Adviser, Military Finance, the Committee came to the conclusion that, so far as control of expenditure on stationery and printing was concerned, there was likely to be considerable difficulty in arriving at a satisfactory arrangement at an early date, and was inclined to think that the question of obtaining additional expert technical advice should be examined immediately in consultation with the Finance Department (O. B.).

15. *Item 18 ibid.*—The Committee considered that until the new organisation for the audit of pensions is stabilised, it would be a matter of interest to have a report every year from the Director of ~~Army~~ Audit on the results that are being obtained.

16. *Item 20 ibid.*—The Financial Adviser furnished the following figures to the Committee: On the 31st March 1929 the total outstanding was 13 lakhs. Since then stores have been sold which have realised 3·6 lakhs. The sale value of the remaining stores is approximately Rs. 90,000. The Committee agreed that the position could be regarded as satisfactory.

17. *Item 25 ibid.*—This item has been disposed of by paragraph 7 of Section II of the Report of the Home Auditor on the Accounts of the Secretary of State for 1927-28.

18. *Item 1 of Appendix B.*—The Military Accountant General informed the Committee that the preparation of an Office Manual for the Military Accounts Department had already been started and that an officer was being placed on special duty from August 5th in connection with the work, which it was expected would be completed before the end of the year. The Military Accountant General explained that, owing to there having been no Office Manual in the past, many of the instructions that should have been contained therein had been included in the Audit Code, and consequently it had been found necessary to revise that Code concurrently with the preparation of the Manual.

19. *Item 2 of Appendix B.*—It was decided to examine the Engineer-in-Chief in regard to this item. The Committee was informed that the results for 1928-29 showed no improvement; the position therefore remained unsatisfactory.

20. *Item 3 of Appendix B.*—The Committee suggested that it should be definitely intimated to the Secretary of State that the understanding on the part of India is that, whatever the settlement may be, no claim on account of arrears will be admitted against India for the period before the date of the settlement. The understanding appears to be supported by the tenor of remarks made by the Secretary of State in the correspondence that has already taken place.

21. At this stage the Committee adjourned till 11 a.m., on Friday, the 2nd August 1929.

Proceedings of the Second Meeting of the Military Accounts Committee held on the 2nd August 1929, at 11 a.m.

PRESENT :

The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S., *Chairman.*

Mr. J. E. C. JUKES, C.I.E., I.C.S., *Member.*

Sir FREDERIC GAUNTLETT, K.C.I.E., K.B.E., I.C.S.,
Auditor General.

Mr. G. R. F. TOTTENHAM, I.C.S., Army Secretary.

Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Financial Adviser, Military Finance.

Lieutenant-Colonel S. G. V. ELLIS, D.S.O., Military Accountant General.

Mr. A. G. BARR, O.B.E., Director of Army Audit.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser, Military Finance.

Were also present.

22. The Committee proceeded to consider the Report of the Director of Army Audit in conjunction with relevant portions of the Appropriation Accounts and of the Auditor General's letter.

23. *Paragraph 4 of Director's Report.*—The Committee ascertained that a further sum of Rs. 2,194 has since been recovered, and that recovery is proceeding regularly at the rate for which the contract provides.

24. *Paragraph 5 of Director's Report.*—The Committee decided to examine the Master General of Ordnance on this matter.—*vide* Proceedings of the fourth meeting.

25. *Paragraph 7 of Appropriation Accounts and paragraph 8 of Report of Director of Army Audit.*—In paragraph 8 of his Report the Director of Army Audit observes, *inter alia* "In dealing with the accounts of the Military services comments are offered on the same lines that would be followed if adherence to appropriation were enforceable under the usual rules". The Committee agreed that the proposition which the Director of Army Audit has here set forth is correct and is in accordance with the intentions of the Executive Government on whose behalf the audit is conducted. The Committee understood that it is also the intention that the same procedure should be observed as part of the arrangements for the regulation of what is known as the stabilised military budget during the next few years.

26. *Paragraph 8 of Appropriation Accounts and paragraph 9 of Report of Director of Army Audit.*—The Committee agreed with the suggestion made by the Auditor General in paragraph 9 (a) of his letter that in future the financial effect of the more important new features of Army expenditure in the year under report should be given approximately, and desired to suggest that the information might be supplied in a tabular form, items of new and important expenditure and items involving important economies being exhibited separately.

With reference to paragraph 9 (b) of the Auditor General's letter it was ascertained that the settlement as between the Army and the Foreign and Political Department is on the point of being completed.

27. *Paragraph 29 of Appropriation Accounts, paragraph 11 of Report of Director of Army Audit, and paragraph 11 (a) of Auditor General's letter.*—The Committee agreed that the separate accounts maintained for the stock heads should be appended to the Appropriation Accounts.

As regards paragraph 11(b) of Auditor General's letter, the Auditor General desired that this matter should be withdrawn from the examination of the Committee until he has had an opportunity of considering it further in consultation with the Director of Army Audit in the light of certain further information which has come to his knowledge.

The Committee desired to discuss the question of the certificate of verification with the Quarter Master General and the Master General of Ordnance, and to draw their attention to the existence of the certificate included in the Appropriation Accounts in England. (A form of the certificate contained in the English Appropriation Accounts is annexed hereto—Annexure 1.)

28. *Paragraph 38 of Appropriation Accounts and paragraph 12 of Auditor General's letter.*—The Committee desired to examine the Master General of Ordnance and the Quarter Master General on this matter.

29. *Paragraph 41 of Appropriation Accounts and paragraph 13 of Auditor General's letter.*—The Committee agreed that it is very desirable that as many as possible of the items mentioned should be included in the calculation of the true cost of the maintenance of the fighting units, and that, when the process has been completed, the resulting alterations in the Finance and Revenue Accounts should be brought to the notice of the Secretary of State.

30. *Paragraph 45 of Appropriation Accounts and paragraph 14 of Auditor General's letter.*—There appears to be a danger of some overlapping between the lists prepared under the system referred to in paragraph 8 of Appropriation Accounts and the list referred to in paragraph 45 of the Appropriation Accounts, and the Committee thought it might be desirable if the Financial Adviser, Military Finance, were to examine the possibility of systematising the record of all important new accretions of expenditure on Military Services whether these have been specifically provided for in the Budget before the commencement of the financial year or have been undertaken in the course of the financial year and met by reappropriation.

31. *Paragraph 46 of Appropriation Accounts and paragraph 15 of Auditor General's letter.*—The Committee noted with satisfaction that the Auditor General is taking steps for the improvement of these trading accounts. In certain respects the Committee itself would like to see further information provided, for example, some explanation of the actual cause of the profit or loss shown in the accounts and also an explanation of how any figures have been arrived at which are not actual cash figures, such as variations in stock at the beginning and end of the year. The possibility of giving such particulars as would enable the trading accounts to be linked up with the Government accounts might also with advantage be studied. The information could perhaps be most suitably supplied by means of foot-notes.

32. *Paragraph 49 of Appropriation Accounts.*—The Committee expressed the hope that the system will be continued as far as possible.

33. *Paragraph 54 of Appropriation Accounts and paragraph 19 of Auditor General's letter.*—The Committee agreed with the remark made by the Auditor General.

34. *Paragraph 20 of Auditor General's letter and paragraph 15 of Report of Director of Army Audit.*—The Committee agreed with the Auditor General.

35. *Paragraph 18 of the Report of Director of Army Audit and paragraph 21 of Auditor General's letter.*—The Committee ascertained that disciplinary action has been taken and also that arrangements are now in force which should provide for a sufficient scrutiny of entries appearing in the Army List.

36. *Paragraph 22 of the Auditor General's letter and paragraph 24 of the Report of Director of Army Audit.*—There must be exceptions to the general rule quoted by the Auditor General in the case of the discretionary grants of the Commander-in-Chief, the Chief of the General Staff and the General Officers Commanding in Chief, etc. ; otherwise the Committee desired to endorse

the Auditor General's observations and to add that particular care should be taken to secure that even in the excepted cases reappropriation should be made immediately expenditure debitible to another head is sanctioned.

37. *Paragraph 76 of Appropriation Accounts and paragraph 24 of the Auditor General's letter.*—The Committee ascertained that this is not a case of failure to recover sums due but merely a case of sums recoverable having been over-estimated due to causes which were beyond the control of the estimating authority.

38. *Paragraph 25 of Auditor General's letter and paragraph 78 of Appropriation Accounts.*—The Committee was informed that the addition was due to the transfer of certain establishment from the Quarter Master General's branch to the Master General of Supply's branch.

39. *Paragraph 26 of Auditor General's letter and paragraph 27 of Report of Director of Army Audit.*—The matter was further explained by the Military Accountant General. It was ascertained that this was a case of failure of internal audit, that steps had been taken which should automatically prevent similar over-charges, and that disciplinary action was taken against those at fault.

40. *Paragraph 27 of Auditor General's letter and paragraph 28 of Report of Director of Army Audit.*—Further information had been obtained by the Auditor General from the officer who was both General Officer Commanding the district and later Quarter Master General. The latter had expressed the view that all that he had done was in the best interest of Government, and the Committee was prepared to accept the statement. The purpose of the Auditor General's comment was mainly to call attention to the need of having definite contracts, a matter which has now received attention from the Government of India.

41. At this stage the Committee adjourned till Saturday, the 3rd August, at 11 a.m.

Proceedings of the Third Meeting of the Military Accounts Committee, held on the 3rd August 1929, at 11 a.m.

PRESENT :

The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S., *Chairman.*

Mr. J. E. C. JUKES, C.I.E., I.C.S., *Member.*

Sir FREDERIC GAUNTLETT, K.C.I.E., K.B.E., I.C.S.,
Auditor General.

Mr. G. R. F. TOTTENHAM, I.C.S., Army Secretary.

Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Financial Adviser, Military Finance.

Lieutenant-Colonel S. G. V. ELLIS, D.S.O., M.I.C.S.,
Accountant General.

Mr. A. G. BARR, O.B.E., Director of Army Audit.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser,
Military Finance.

42. Paragraphs 39 and 40 of Director's Report and paragraph 28 of Auditor General's letter.—The Financial Adviser, Military Finance, stated that the new procedure referred to in paragraph 39 of the Director's Report is working well. The Committee desired that the Director of Army Audit should himself test the efficacy of the procedure on some future occasion and make a further report to the Committee if necessary.

As regards the procedure referred to in paragraph 40 of the Director's Report, the Committee ascertained that sufficient time had not yet elapsed to judge of its success and expressed the desire that this matter also should be commented upon in future reports of the Director of Army Audit if necessary.

43. Paragraph 41 of the Director's Report and paragraph 29 of Auditor General's letter.—On the suggestion of the Auditor General the Committee considered that the Director of Army Audit should get into touch with the Director of Commercial Audit with a view to ascertaining whether the experience gained in regard to the stock-taking of cinchona bark would prove to be of assistance in dealing with the question of future procedure which arises out of the *babool* bark case here discussed. The result of the Director of Army Audit's investigations should be furnished to the Financial Adviser, Military Finance. The Committee further regarded it as important that since stocks, once they go from store to the factory, lose their identity and verification thereby becomes impossible, the amounts issued from store to factory at any one time should be reduced to the absolute minimum necessary for manufacturing purposes. The Committee desired that this proposition should be understood to be of general applicability to all cases of the kind where stores of any particular nature lose their identity at a certain stage of store-holding.

44. Paragraph 41-A of Director's Report and paragraph 30 of Auditor General's letter.—The Committee regarded this case as an extremely unsatisfactory one. The Superintendent in question incurred a very serious risk when he declined to accept the money tendered to him, and the risk has materialised to this extent that, whereas in the paragraph under consideration it is reported that Rs. 25,255-3-0 are still due from the firm, it has been ascertained from the Financial Adviser, Military Finance, that the outstanding has now risen to Rs. 29,207 by accumulation of interest, and that the possibility of effecting recovery is extremely precarious. The property of the debtor is the subject of litigation to which a number of claimants are parties. The Committee could find no justification for the action of the Superintendent: he had had two previous warnings of the unreliability of the auctioneer, and, whatever the terms of the contract with the auctioneer were, there could have been no practical difficulty in arranging for the money to be handed over to the Superintendent by the purchasers in the presence of and with the consent of the auctioneer who could not have had any reasonable ground for withholding such consent. The Committee also desired that the Administrative authorities should take up the question of issuing instructions which will ensure the adequacy of security deposits taken from auctioneers and other contractors who may have very large sums of Government money in their hands at any one time.

45. Paragraph 43 of Director's Report and paragraph 31 of Auditor General's letter.—The Committee ascertained that the matter is in hand.

46. *Paragraphs 45 and 46 of Director's Report and paragraph 32 of Auditor General's letter.*—The Committee ascertained that the answer to the question raised by the Auditor General was in the affirmative. Apparently the Deputy Assistant Controller of Military Accounts was not aware of the procedure, already existing, which he should have followed in order to obtain the information. The two cases quoted illustrate very forcibly the necessity for such a provision in the rules, since the explanation afforded in the second case is that the increase of Rs. 5,000 was accounted for mainly by the expense of maintaining and repairing one very old motor vehicle. The expenditure appears to be almost ridiculously disproportionate, as the cost of repairs must be somewhere in the neighbourhood of the cost of purchasing a new vehicle. The Committee thought it desirable that the Financial Adviser, Military Finance, should make enquiries with a view to ascertaining whether it is still usual for expenditure to be incurred on maintaining vehicles of this kind.

47. *Paragraph 47 of Director's Report and paragraph 33 of Auditor General's letter.*—The Committee was informed that from 1928-29 the rate of depreciation for electric installation has been fixed at 10 per cent.

48. *Paragraph 48 of Director's Report and paragraph 34 of Auditor General's letter.*—The Financial Adviser, Military Finance, explained that the Administrative authorities state that there are now no abnormal surpluses. The Committee thought that it would be desirable that the fact should be verified by the Director of Commercial Audit.

49. *Paragraph 49 of Director's Report.*—The Committee was informed that it has been decided to tan the bellies and sell them as there is no market for untanned bellies whereas the sale of tanned bellies, when properly brought to account, gives a profit of one anna per pound.

50. *Paragraph 53 of Director's Report and paragraph 36 of Auditor General's letter.*—The Committee ascertained that a report has since been made to the Secretary of State. The Committee drew attention to the anticipation of a large drop in receipts on account of advertisements and suggested that the Army Department might consider whether the level of receipts formerly realised on this account cannot by some means be restored.

51. *Paragraphs 174 to 186 of Appropriation Accounts and paragraph 43 of Auditor General's letter.*—The Financial Adviser, Military Finance, informed the Committee that these excesses are to a large extent the result of a new system of review and redistribution of allotments in the course of the financial year which enables the executive authorities to spend fully up to the grants allotted, and that sufficient experience in these years was not available to enable him to take sufficient account of the effects of this new system.

52. *Paragraph 88 of Director's Report and paragraph 48 of Auditor General's letter.*—The Committee ascertained that in the cases in question, the danger of loss to Government was actually negligible, as the bungalows were the property of British officers which had in many cases been constructed with advances received from Government. At the same time the Army Secretary informed the Committee that orders are now being drafted in consultation with the Government Solicitor pointing out to all subordinate military authorities likely to be

concerned in the purchase or acquisition of immovable property the proper procedure which should be observed in order to ensure a satisfactory title to Government.

53. At this stage the Committee adjourned till Monday, the 5th August 1929, at 11 A.M.

Proceedings of the Fourth Meeting of the Military Accounts Committee, held on the 5th August 1929, at 11 a.m.

PRESENT :

The Hon'ble Mr. E. BURDON, C.S.I., C.I.E., I.C.S., *Chairman.*

Mr. J. E. C. JUKES, C.I.E., I.C.S., *Member.*

Sir FREDERIC GAUNTLETT, K.C.I.E., K.B.E., I.C.S. }
Auditor General.

Mr. G. R. F. TOTTENHAM, I.C.S., Army Secretary.

Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Financial Adviser, Military Finance.

Lieutenant-Colonel S. G. V. ELLIS, D.S.O., Military Accountant General.

Mr. A. G. BARR, O.B.E., Director of Army Audit.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser, Military Finance.

Were also present.

54. *Paragraph 51 (a) of Auditor General's letter and paragraph 2 of Report of Home Auditor on Secretary of State's Accounts.*—The Auditor General observed that it was practically certain that the point taken by the Home Auditor in this paragraph would be very much affected by the decision given by the Secretary of State on another occasion that lodging allowance, in a certain connection at any rate, is to be regarded as pay. The Committee, therefore, thought it desirable that the whole matter should be further examined by the Financial Adviser in consultation with the Auditor General, the result being communicated to the Home Auditor if this is found to be necessary.

55. *Paragraph 51 (b) of Auditor General's letter and paragraph 3 of Report of Home Auditor on Secretary of State's Account.*—The Committee ascertained from the Army Secretary that the Government of India had suggested that a normal period of tour should be laid down and adhered to, but that they should be free either to keep an officer on duty or grant him leave for a short time beyond the normal period, provided that the retention on duty or leave does not extend beyond the next trooping season. Such an arrangement would remove the difficulty here brought to notice.

56. *Paragraph 6 of Report of Home Auditor on Secretary of State's Accounts, and Auditor General's letter dated the 20th June 1929.*—The Committee ascertained that the adjustment of claims and counter claims in respect of Aden charges prior to 1st April 1927 has been merged in the general settlement of outstanding war claims between His Majesty's Government and the Government of India.

57. *Paragraph 38 of Appropriation Accounts.*—The Committee examined the Quarter Master General and the Master General of Ordnance and were informed of the percentages of loss which the figures represented in each case. It was stated that the losses under all the categories but one were normal in amount and inevitable in character, being due to the usual well-known causes, dryage, wastage, packages broken in transit, etc. In the excepted case, which was that of ordnance stores, the loss occurred mainly under rifles and its magnitude was due to the fact that a very large number of rifles was returned to the arsenals after the war, and that many of them were taken on the books at the value of serviceable rifles but on further examination were found to require repairs or to be unserviceable. Their value had consequently to be written down. The loss was thus only a book loss and not an actual loss. The number of rifles returned after the war was so great that it was impossible for the arsenal staff to examine them properly before bringing them to account. The arrears have now for the most part been cleared off and the position is now approaching normality. The Committee thought it desirable that in all these cases the normality of the figures of loss should be tested from year to year by an examination of results on a comparative basis.

58. *Paragraph 39 of Appropriation Accounts and paragraph 5 of Report of Director of Army Audit.*—The Committee examined the Master General of Ordnance and the Quarter Master General and ascertained that the Disposals staff and the Director of Contracts belong to the same organisation within Army Headquarters, and that no article is condemned and disposed of until it is absolutely certain that it is not required by some other department of Government; also that the two suggestions of the Director of Contracts mentioned by the Director of Army Audit have been accepted.

59. *Paragraph 11 of the Report of Director of Army Audit.*—The Committee, having examined the Master General of Ordnance and the Quarter Master General was strongly of opinion that the administration in India, as in England, should fortify itself by securing a certificate on the lines of that referred to in paragraph 27 of these proceedings. If and when the Government of India has laid down the quantities and categories of mobilisation reserves which shall be held, it seems essential that, in a matter of such vital importance, some authority should be made responsible for a periodical certificate that the orders of Government are being obeyed.

60. *Paragraph 57 of Report of Director of Army Audit.*—The Committee ascertained that, under the recent change of organisation, the Quarter Master General no longer occupies the position of the purchaser of stores manufactured by the Master General of Supply. The Master General of Supply (now the Master General of Ordnance), while he continues to manufacture stores in factories, now holds the finished articles in the arsenals from which they are issued to the troops as required. Thus, the Quarter Master General has no longer the same interest as before in checking the cost of supplies; and the duty of seeing that stores are manufactured at a reasonable cost and that excessive funds are not allotted to the factories in the annual budget, devolves upon the Master General himself and the Financial Adviser, Military Finance. The other P. S. Os. have no interest in the matter, apart from the general interest of each and all in securing the economical administration of the

military services. The Financial Adviser has ample instruments through which to exercise his control, but the Committee thought that it might with advantage be examined whether a useful purpose would not be served by showing in the Army accounts the cost of supplies received from the factories, a corresponding credit being shown in the Factory accounts. The Financial Adviser, Military Finance, was requested to examine the point and report the result next year, and also to report whether it would be feasible for the factories in India to ascertain production costs of different articles from month to month. It is understood that this is done in England.

61. *Paragraph 30 of Report of Director of Army Audit.*—The Committee recognised that the Ordnance Officer could not be expected to inspect a whole consignment; but inquired whether it would not be possible to mark the packages inspected, and also to mark the uninspected packages as being part of the same consignment, so that there might be means of fixing responsibility when the packages were opened. The Master General of Ordnance agreed to examine the point.

62. *Paragraph 87 of Report of Director of Army Audit.*—The Committee's conclusion was that the case reported was a most unfortunate case in which through ignorance and inefficiency the correct procedure was not applied or misapplied. The Committee understood that steps had been taken to prevent a recurrence of such incidents.

63. *Paragraph 55 of Report of Director of Army Audit.*—The Committee examined the Quarter Master General and Adjutant General and were informed that the new scheme never involves the under-issue of rations to any particular individual and that the scheme, apart from its other advantages, is regarded as having an educative value of great importance. The scheme is acceptable to those most directly concerned, has been successful and undoubtedly reduces waste. From the audit point of view, the Committee desired that the orders on the subject of the credit to be allowed to regimental funds should express a particular method of calculation by which the amount credited should be deduced and should not refer in general terms to "savings".

64. *Paragraph 25 of Report of Director of Army Audit.*—The Committee ascertained from the Adjutant General the causes which led to errors in estimating the numbers of officers and other establishments for which provision has to be made in the budget. Some of these causes are beyond the control of the authorities in India. Unforeseen variations occur in the numbers and ranks of personnel supplied by the War Office. In other cases, however, more accurate estimation should be possible, and the Financial Adviser, Military Finance, undertook to give special attention to the matter next year.

65. *Paragraph 67 of Report of Director of Army Audit.*—The Committee examined the Adjutant General and came to the conclusion that the conditions qualifying for family pensions are too liberally interpreted, particularly in the case of civilian employés paid from Army estimates. The difficulty of setting up a specific criterion simple in application is recognised; but the question clearly requires to be reviewed in its general aspect and in the light of the treatment which it is understood the same question has recently been receiving on the Civil side of the administration.

66. The Committee adjourned till 2.30 P.M.

Proceedings of the Fifth Meeting of the Military Accounts Committee held on the
5th August 1929, at 2-30 p.m.

PRESENT :

The Hon'ble Mr. E. BERDON, C.S.I., C.I.E., I.C.S., *Chairman.*

Mr. J. E. C. JUKES, C.I.E., I.C.S., *Member.*

Sir FREDERIC GAUNTLETT, K.C.I.E., K.B.E., I.C.S.,
Auditor General.

Mr. G. R. F. TOTTENHAM, I.C.S., Army Secretary.

Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Financial Ad-
viser, Military Finance.

Lieutenant-Colonel, S. G. V. ELIAS, D.S.O., Military
Accountant General.

Mr. A. G. BARR, O.B.E., Director of Army Audit.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser,
Military Finance.

Were also pre-
sent.

67. *Paragraph 85 of Report of Director of Army Audit and paragraph 45 of Auditor General's letter.* - The Engineer-in-Chief gave the Committee further information which indicated that, in assessing the amount correctly due, the important factor was that of rates for different classes of work. The Committee considered that in the determination of rates there was considerable laxity on the part of subordinates which the ordinary checks, executive and accounting, should have served to prevent. This appears to the Committee to have been recognised in the action taken.

68. *Paragraph 90 of Report of the Director of Army Audit.* - The volume of expenditure in the month of March, though it has diminished as compared with the previous years, is still disproportionately great, and the Engineer-in-Chief was asked whether, in actual experience, he finds behind this rush of expenditure irregular and extravagant proceedings inspired by the desire to prevent the lapse of funds. He replied in the negative, and said that, as he saw the matter, the reasons for the rush of expenditure in March were broadly as follows. In the first place, he agreed with the Military Accountant General in thinking that, to a very considerable extent, it was a question rather of a rush of payment than a rush of expenditure in March. In the second place, frequent but apparently inevitable change of policy on the Army side led to delay in selecting works to be carried out within the financial year and to consequential delay in the preparation of plans, estimates, etc., and in the allotment of funds. Again, in India it is only during part of the year that intensive engineering work can be carried out, and this in the greater part of India is the cold weather. All these factors tend to make it a natural occurrence that more bills for completed works should mature in the months

of February and March each year. The Committee, recognising that there is nothing inherently wrong in a rush of expenditure in March and that the important question to determine is whether the rush of expenditure causes irregularities, asked that the attention of the Director of Army Audit should be directed to this point with a view to his undertaking a special investigation of March expenditure. The Committee also desired that the Financial Adviser and the Army Department should consider whether the military authorities might not usefully adopt a practice which has been adopted by certain Local Governments, under which special acceleration of payments in March is not permitted. This practice has the effect of checking any tendency to accelerate disbursements, at the expense of regularity, for the purpose of avoiding the lapse of funds. The Military Accountant General observed that the acceleration of payments in March has a certain advantage in that it encourages contractors to produce their final bills promptly. This is a consideration which the Financial Adviser will no doubt take into account, but it is a consideration which should be common both to the Civil and the Military administrations.

69. *Item (a) of Appendix B of Appropriation Accounts.*—Having ascertained that the results of 1928-29 are rather worse than the results for 1927-28, the Committee, after examining the Engineer-in-Chief, came to the conclusion that the whole matter requires further investigation by the Director of Army Audit, who should take up the figures of 1928-29 and analyse them with reference, amongst other things, to (1) the proportion of the objections raised in regard to March expenditure, and (2) the causes of the very high money value of objections raised on account of want of sanctioned estimates; while, in regard to the large amount under objection for want of vouchers it should be seen whether a reasonable time limit is allowed for receipt of vouchers on the lines of the procedure in force on the civil side. It would be interesting also if the Director of Army Audit were to institute a comparison of the proportion of expenditure on military works taken under objection with the similar proportion in the case of the civil public works expenditure of selected provinces.

The Engineer-in-Chief acknowledged that a good deal could be done in the way of reducing the amount of expenditure held under objection if greater interest were taken by individual officers in the disposal of objections, and he undertook to take steps to stimulate such interest in his officers.

70. *Paragraph 51 (c) of Auditor General's letter and paragraph 10 of Report of Home Auditor on Secretary of State's Accounts.*—The Committee ascertained that out of 729 cases received, re-allocation has been made in 663 cases, leaving a balance of 66 only.

71. *Paragraph 52 of Auditor General's letter and paragraph 6 of the Report of Home Auditor on High Commissioner's Accounts.*—The Financial Adviser intimated to the Committee that, circumstances having developed, it now appears to be safe for this money to be withdrawn from suspense, and that he is initiating action to this effect. The Committee endorsed this course of action.

72. The Committee adjourned till 2-30 p.m., on the 6th August.

Proceedings of the Sixth Meeting of the Military Accounts Committee held on the
6th August 1929 at 2-30 p.m.

PRESENT :

The Hon 'ble MR. E. BURDON, C.S.I., C.I.E., *Chairman.*

Mr. J. E. C. JUKES, C.I.E., I.C.S., *Member.*

Sir FREDERIC GAUNTLETT, K.C.I.E., K.B.E., Auditor
General.

Mr. A. F. L. BRAYNE, C.I.E., I.C.S., Financial
Adviser, Military Finance.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser,
Military Finance.

Were also
present.

73. The Committee examined the Financial Adviser at some length on the subject of the variations between the expenditure under various heads of account and the original and modified appropriations under those heads. It was not inclined to attach very great importance to individual variations between budget and expenditure. The year under review was the first year of reversion from the costing to the cash basis of accounts, and this fact made it difficult to frame accurate estimates under subordinate heads. Moreover, the lump cut of 80 lakhs made by the financial authorities operated to render the budget figure, regarded as a whole, conspicuously accurate ; the total saving of the year being no more than $12\frac{1}{2}$ lakhs of rupees. The Committee considered, however, that, as experience of the present system grows, it should be found possible to carry such cuts down to individual heads ; and hoped that every endeavour would be made to effect this desirable object.

74. The variations between modified appropriations and expenditure were a more serious matter. The number of important cases of uncovered excesses, unsurrendered savings and apparently unnecessary reappropriations was greater than should ordinarily be consistent with an efficient control over expenditure. It was explained that these were largely due to defects of the system then in force. Estimates had to be revised in March on the basis of no more than seven months' actuals ; while there was apparently some lack of co-operation between the financial and the administrative authorities. The Committee ascertained that these defects have since been largely remedied. The compilation of the accounts has been accelerated and further acceleration is expected. The responsibility of the Principal Staff Officers for the control of their own budgets has been established, and they are now working in complete sympathy with their financial advisers. The Committee, with the assistance of the Auditor General, made certain suggestions designed to secure a better control over expenditure. It emphasised the desirability of a careful watch over commitments and liabilities with reference to the actuals of past years, and of an intelligent scrutiny of current expenditure against a scientific distribution of allotments over the months of the year. It discussed at some length the time and the manner in which re-appropriations should be sanctioned, and laid stress on the necessity of ensuring that ear-marked savings are not diverted to objects other than those for which they are ear-marked. Finally, it suggested to the Financial Adviser that he should consider the desirability of

following the example of the civil authorities by securing the appointment of a wholetime expert whose duty it should be, under his control, to watch the progress of expenditure throughout the year and to devote unceasing attention to the improvement of methods of budgeting and of expenditure control.

75. As the present Director of Army Audit, who has filled that post ever since the Financial Adviser assumed the responsibility for the production of the accounts of Military Services will have retired from service before the accounts of another year are considered, the Committee considered it desirable to obtain and place on record his opinion of the present accounting arrangements of the Army. Mr. Barr was definitely of opinion that in certain respects and particularly in the matter of office administration and organisation the existing state of the separated account offices compared very favourably with that of the combined offices of accounts and audit as he remembered them on the civil side. He added, and the Financial Adviser himself agreed with him, that, while there was a healthy rivalry between the two agencies dealing with the accounts, the present relations between the accounting and auditing authorities were all that could be desired. The Committee noted with appreciation the subsequent statement of the Auditor General that the new audit offices had proved their value, and that he was entirely satisfied with the Director's work which had yielded even better results than he had expected. It agreed with the Auditor General that the present happy relations were largely due to the tact and intelligence displayed by Mr. Barr in the introduction and development of the separated audit system.

76. As a result of its general examination of the accounts and report, the Committee was definitely of opinion that the reversion to a cash basis of accounts has greatly facilitated expenditure control; and that, if the control exercised during the year under review was not in all respects exemplary, steps have been and are being taken which may be expected to place matters in an entirely satisfactory position in future years.

ANNEXURE I.

General Certificate of the Quarter Master General and the Master General of Ordnance regarding war reserves on the 31st March 1928.

We certify that on the 31st March 1928 the war reserves of stores authorised by the Army Council to be held on that date for the Expeditionary Forces and detailed in the schedules submitted to the Controller General, for the supervision and maintenance of which we are respectively responsible, were in all respects complete with the exception of temporary deficiencies to the aggregate value of 149,904.

(Sd.) W. H. ANDERSON,

Quarter Master General.

(Sd.) WEBB GILLMAN,

Master General of Ordnance.

APPENDIX XI.

Memorandum furnished by the Auditor General on the subject of the cost of staff employed as an experimental measure on the concurrent audit of customs receipts at Calcutta.

I promised the Public Accounts Committee to put in a memorandum on the subject of the cost of the staff employed as an experimental measure on the concurrent audit of customs receipts at Calcutta, together with an appreciation of the results obtained in this audit. The following paragraphs give the required information. The existing staff employed on the concurrent audit is as follows :—

	Rs.
1 Assistant Accounts Officer—	
Rs. 500—35—850 : average cost per month ..	657½
(This officer does revenue audit as well as expenditure audit, but the full cost is taken as the major portion of his time is devoted to revenue audit.)	
1 Superintendent—220—20—500 : average pay ..	467
4 Auditors—100—10—150 : average pay ..	670
1 Typist—average pay, say	50
 Total monthly cost	 1,574½
 Total annual cost	 19,294

2. The experiment was begun in August 1927, and the Auditor General reported that in the course of the first 14 months of audit 1,100 errors had been detected aggregating over Rs. 6,500. This officer submitted a detailed report of the results of the experiment from August 1927 to 30th September 1928. The concurrent test audit covered the inward bills of entry, the inward bills of entry, 1% of the inward bills of entry, and 1% of the inward and refund payments (to mention only the main items of audit). During the whole of this period short realizations of errors, largely accounting for the errors which had been detected, had been made. The errors which had not been discovered, of which Rs. 1,200 have not yet been recovered, had a balance of Rs. 4,307 having been written off as irrecoverable.

3. Apart from the actual monetary effect of errors detected on the questions of principle which have been taken up in the concurrent audit,

not only in respect of the assessment of individual transactions but of the treatment of consignments of similar articles dealt with in the future. A few examples of such questions are given below :—

- (1) Extent to which hospital appliances can be treated as the "unaccompanied baggage" of a medical officer. The loss of duty involved in the particular case was Rs. 300.
- (2) Silver sheets inlaid with 18 ct. gold, wrongly passed free as bullion instead of being assessed to duty as silver manufactures. The amount of duty recovered in the individual case was Rs. 200-10-0.
- (3) Cash discount granted in respect of payments made by the importer's home agency before arrival of the goods in India, wrongly taken into account in arriving at the "landed cost" in India.
- (4) Improvement of procedure for watching imports free of duty on behalf of foreign Consulates in India, and trade goods for re-export to Nepal.
- (5) Paper tubes, cones and bobbins with yarns reeled on them, wrongly assessed at $2\frac{1}{2}\%$. The Central Board of Revenue agreed that they should be assessed at the rate of duty (apparently 5% or more) applicable to the yarns with which they were imported.
- (6) Amendment of the market value list, removing "cigarette paper" from the heading "paper and stationery" to the head "smokers' requisites".
- (7) Triangular or jagged wire nails, wrongly assessed as "nails, other kinds" instead of as "wire nails". The Central Board of Revenue confirmed the audit interpretation.
- (8) Crucible steel bars wrongly assessed at the specified rate of Rs. 30 per ton instead of at 10% as "bars not otherwise specified".
- (9) "Racing boats", wrongly assessed at 10% instead of at 30% as "sports requisites". The Central Board of Revenue upheld the audit view and Rs. 444-15-0 was recovered in the individual case.
- (10) "Spring steel" and "high speed steel" bars, wrongly assessed at Rs. 26 per ton instead of at 10% *ad valorem*. Rs. 583-10-0 was recovered in the individual case.
- (11) British manufactured steel round bars of over $\frac{1}{2}$ inch diameter, wrongly assessed at 10% instead of at Rs. 26 per ton. Rs. 22-8-0 was recovered in the individual case.
- (12) Type moulds, wrongly assessed to duty at $2\frac{1}{2}\%$ as printing materials. Rs. 50 was recovered in the individual case.
- (13) "Block iron sheets under 1/8th inch thick, not fabricated", wrongly assessed at Rs. 30 per ton instead of as "all other sorts not otherwise specified if of British origin" at Rs. 35 per ton. Rs. 61-2-0 was recovered in the individual case taken up.

- (14) Hullers or huskers operated by steam power, wrongly admitted free as "agricultural machinery". The Central Board of Revenue upheld the audit view. There was a loss of revenue of Rs. 856-4-0 in the individual case.
- (15) Nickelled turn buttons, wrongly assessed at 15% instead of at 20% as "motor car accessories".
- (16) Washing soda, wrongly assessed at invoice value instead of on the basis of tariff valuation fixed for soda crystals. Rs. 14-12-0 was recovered in the individual case.
- (17) Tricycles not chain driven were assessed at 15% instead of as "toys" at 30%. Rs. 22-15-0 was recovered in this case.
- (18) A claim for drawback amounting to Rs. 321-1-3 on rusty gramophone needles was wrongly admitted. It was recognised that the gramophone needles returned to the suppliers were of full value to them, as they could be rendered saleable after the rust was removed. The Collector of Customs agreed with the audit view that in such cases the "value" in section 50 (b) of the Sea Customs Act means the value at the time of shipment and that drawback should not be allowed in such cases in future.

4. It is very difficult to place a figure without actual local inquiry on the recurring savings on future consignments to which the concurrent audit may reasonably lay claim as the result of the settlement of the questions of assessment involved in the above examples. It seems, however, quite safe to say that the recurring annual saving would cover the cost of audit several times over.

It might be held that now that audit has settled such questions after working for some years, there may not be room for similar useful work in future; but the tariff is being constantly revised, and I have no doubt that audit work in future will always prove fruitful in its results.

5. While the above paragraphs give details of the benefits to the revenue derived from concurrent audit, it is not for a moment claimed that this audit never results in the discovery of over-assessments and consequent loss to the revenue. As a matter of fact, a few cases of over assessments have been discovered and refunds made to importers at the instance of audit. Statutory audit check is expressly conducted on behalf of the taxpayer, and it is considered that it is the legitimate function of audit to assist in stopping over-assessments, as much as in preventing under-assessments.

6. The audit checks not only concern the amount of revenue but are also applied to ensure that the prescribed procedure is observed in the Custom House in the assessment and collection of the revenue. For example, the prescribed procedure requires that the assessing appraiser should obtain the sanction of the Assistant Collector before amending the classification or value shown on the bills of entry. In one case the declaration "sporting requisites" in the bill of entry pertaining to "tennis markers" was changed into "hardware" by the assessing appraiser without the sanction of the Assistant Collector, and the goods wrongly assessed at 15%. Rs. 32-15-0 was actually recovered in this case.

7. Before closing this memorandum, I would make a brief reference to the practice in the United Kingdom where there is not only a full "internal check" of revenue but also a test audit carried out by the Comptroller and Auditor General on behalf of the House of Commons. Section 2 of the Exchequer and Audit Department Act, 1921, of the United Kingdom runs as follows :—

" 2 (1) The accounts of the receipts of revenue by the Departments of Customs and Excise, Inland Revenue and Post Office, and the accounts of every receiver of money which is by law payable into the Exchequer, shall be examined by the Comptroller and Auditor General on behalf of the House of Commons in order to ascertain that adequate regulations and procedure have been framed to secure an effective check on the assessment, collection and proper allocation of revenue, and the Comptroller and Auditor General shall satisfy himself that any such regulations and procedure are being duly carried out.

(2) The Comptroller and Auditor General shall make such examination as he thinks fit with respect to the correctness of the sums brought to account in respect of such revenue as aforesaid, and shall, together with his report on the appropriation accounts of the departments concerned, present to the House of Commons a report on the results of any such examination."

8. I think it will be agreed that the English ideal given above is one which is most likely to suit Indian conditions. The duty of the Auditor General's test audit would thus be confined (1) to seeing that adequate regulations and procedure have been framed to secure an effective check on the assessment, collection and proper allocation of revenue, (2) to seeing that such regulations and procedure are being duly carried out, and (3) to making a small test examination as to the correctness of the sums brought to account. This naturally presupposes a full and adequate internal departmental check over the whole of the transactions.

APPENDIX XII.

Note by the Audit Officer, Indian Stores Department, explaining the difference between the figures of Profit and Loss of the Indian Stores Department shown in the Appropriation Accounts and those shown in the Administration Report of that Department.

As was explained in the Memorandum placed before the Public Accounts Committee, the final audited Profit and Loss statements for 1927-28 differs from its predecessors in the following respects :—

- (1) Under Revenue the actual realisations have been shown instead of a theoretical figure showing the revenue supposed to have been earned by the Department.
- (2) A few unnecessary heads which tended to blur the impression produced by the statement as a whole have also been eliminated.

For the purpose of an effective and accurate comparison the statement for 1926-27 has now been recast on similar lines and the two sets of figures for 1926-27 and 1927-28 have been placed side by side in the enclosed statement A.

It will be seen from the revised statement for 1926-27 that the net loss has now been raised from Rs. 3,99,415 to Rs. 4,63,435.

I shall now proceed to compare the figures shown in the statement prepared by the Audit Office with those shown in the Administration Report of the Chief Controller, Indian Stores Department. To facilitate our review I have shown in red ink the Administration Report figures just below the Profit and Loss account figures under each head.

The heads 1 to 4 agree in both the cases. The large difference under heads 5, 6 and 7 is due to the fact that the Administration Report figures include expenditure of a capital nature (such as apparatus costing more than Rs. 100 under 'Supplies and Services' and capital works such as residential buildings under 'Petty construction and repairs'), while these items are excluded from the Profit and Loss Account figures. In the Profit and Loss statement such expenditure of a capital nature would only affect heads 11 and 12, viz., Interest on capital outlay and Depreciation.

Further, the Administration Report ignores entirely the leave salary paid in England which, under the budgeting procedure, is not debitible to the Indian Stores Department grant but to a separate grant, that is, the grant for expenditure in England under the control of the High Commissioner. All indirect charges such as pensionary charges, interest on capital outlay, depreciation charges are also omitted from the Chief Controller's account.

Another important difference between these two statements remains to be noticed. In view of the fact that the Indian Stores Department is still in its infancy, it is not considered advisable that the full burden of the cost under 'Audit and Account' should be thrown on it. Under the existing procedure the gross revenue of the Department is divided between it and Audit in proportion to their expenditures. The full Audit expenditure is budgeted for under Grant 42-Audit, while the share appropriated by Audit under the system shown

above is taken in reduction of the Demand under that Grant. Thus, while the actual Audit charge in 1927-28 amounted to Rs. 1,94,981, the amount recovered from the Indian Stores Department was only Rs. 1,66,609, the balance of Rs. 28,372 remaining at the debit of Grant 42.

In other words, while the Administration Report shows Rs. 1,22,086 and 1,66,609 as the cost of Audit in 1926-27 and 1927-28, respectively, the actual expenditure incurred was Rs. 1,41,563 and Rs. 1,94,981 in the same years.

While the Profit and Loss statement shows a deterioration of Rs. 1,13,429 during 1927-28 as compared with 1926-27, the corresponding figure as disclosed by the Indian Stores Department Administration Report is only Rs. 21,285. The difference between the two sets of figures, that is, 92,144 is explained in the annexed statement B.

A copy of the note prepared by the Chief Controller, Indian Stores Department, explaining the difference between the two sets of figures is also enclosed for the information of the Auditor General. The difference between my note and the note prepared by the Chief Controller is due to the fact that the Chief Controller's explanation is based on the figures shown in the printed Appropriation Accounts, while mine is based on the revised figures shown in the statement A annexed to this note.

STATEMENT A.

Dr. *Profit and Loss/Budget accounts of the Indian Stores Department for the years 1926-27 and 1927-28.*

Cir.

STATEMENT B.

	Rs.	Rs.
<i>Supplies and Services—</i>		
Audit Office figure 1927-28 more	25,595	
I. S. D. figure 1927-28 more	18,130	
Difference: Audit Office figure more		7,465
<i>Contingencies—</i>		
Audit Office figure 1927-28 more	1,713	
I. S. D. figure 1927-28 less	10,755	
Audit Office figure more		12,468
<i>Petty construction and repairs—</i>		
Audit Office figure 1927-28 less	5,828	
I. S. D. figure 1927-28 less	82,296	
Audit Office figure more		76,468
	Total	96,401
<i>Leave salary paid in England—</i>		
1927-28 less		37,951
<i>Pensionary charges—</i>		
1927-28 more		16,166
<i>Government contribution to Provident Fund—</i>		
1927-28 less		31
<i>Interest on Capital outlay—</i>		
1927-28 less		2,472
<i>Depreciation charges—</i>		
1927-28 less		5,043
<i>Stationery and printing—</i>		
1927-28 more		16,178
<i>Cost of Audit and Accounts—</i>		
Audit Office figure 1927-28 more	53,418	
I. S. D. figure 1927-28 more	44,523	
Audit Office figure more		8,895

Summarising the above results we get.

	Rs.
Under 'Supplies and Services', 'Contingencies', 'Petty construction and repairs'	+96,401
Under Leave salary paid in England	-37,951
Under Pensionary charges	-16,166
Under Heads 10, 11 and 12	-7,546
Under Stationery and Printing	+16,178
Under Audit and Accounts	+8,895
Under Receipts due to rounding	-1
Total	+92,144

The Public Accounts Committee were unable to understand the reason for the difference between the increase of the deficit in the accounts of the Indian Stores Department during the year 1927-28 as shown respectively in the accounts printed on page 27 of the Administration Report for the year 1928-29 and in the Profit and Loss Account printed on page 313 of the Appropriation Accounts, and the opinion was expressed that an explanation of the difference should have been given. It has not hitherto been possible to include such an explanation in the Department's Administration Report since that Report does not include the Profit and Loss Account. Moreover, the latter Account for the year under report is not completed before the publication of the Report. Similarly, an explanation cannot be given in the Appropriation Accounts for the reason that those Accounts do not indicate the deficit in the budget accounts. I understood, however, that the Committee desired to have an explanation of the difference which appeared in the budget account and the Profit and Loss Account for the year 1927-28, and I accordingly furnish an explanation of the matter.

Before dealing with the actual figures I should like to make certain points clear—

Firstly.—The budget account (that is, the account appearing in our Administration Report) is *not* an account compiled by the Department itself. The account is compiled by the Accounts Department, and it carries the same authority as the Profit and Loss Account which is also prepared by the Accounts Department.

Secondly.—The two accounts are prepared on entirely different principles—

- (a) The budget account exhibits the actual realisations of revenue during a year. The Profit and Loss Account, on the other hand, exhibits the revenue earned during the year, that is, the value to the Department in the shape of fees of the actual work carried out by it during the year. Inasmuch as contracts placed by the Department during the year may not in many cases be completed until the succeeding year when payment is actually made and the fees are actually recovered, there must of necessity be a difference between the revenue side of the two accounts. I may add that it has since been decided that future Profit and Loss Accounts will exhibit only the revenue actually realised during the year, so that there will in future be concordance between the revenue sides of the two accounts.
- (b) The budget account shows merely the direct expenditure against the Indian grant of the Department. The Profit and Loss Account shows *in addition* (i) the indirect charges, namely, pensionary charges, Government contribution to the provident fund, interest on capital outlay, depreciation charges and stationery and printing charges; and (ii) expenditure against the High Commissioner's grant on account of the leave salaries of officers paid in England. The Profit and Loss Account on the

other hand does not show the capital expenditure of the Department, which is shown in the budget account, but merely the depreciation and interest charges on that expenditure.

Thirdly.—The audit factor comes into the budget account in the shape of a deduction from the revenue of the Department, whereas in the Profit and Loss Account it appears as a direct charge on the expenditure side. If the two figures agreed the net result would, of course, be the same ; but it will be seen from a reference to the two accounts that there is no agreement between the two sets of figures. For the purposes of the budget account the total revenue realized is distributed between the Indian Stores Department and the Audit Department in the ratio that the expenditure of one bears to that of the other, whereas in the Profit and Loss Account the actual expenditure incurred by the Audit Department is debited to the account.

I attach a statement which makes a comparison of the two accounts (Profit and Loss and budget). It will be seen that the Profit and Loss Account as shown in this statement does not agree in matters of detail with the account as printed on page 313 of the Appropriation Accounts. The reason for this is that the latter account contains some items which are common, or partly common, to both sides—*vide* items 13 and 16 on the Dr. side and items 5, 6, 7 and 8 on the Cr. side. Item 16 on the Dr. side is identical with items 5, 6 and 7 on the Cr. side, and I have, therefore, omitted these four items entirely. Item 13 on the Dr. side is larger than item 8 on the Cr. side ; but it includes the whole of item 8 on the Cr. side, and I have, therefore, omitted the amount of item 8 from both sides and have distributed the balance of item 13 among their proper heads of account, that is, the heads against which the expenditure is actually chargeable.

I will now proceed to explain the actual difference of Rs. 1,34,307 between the increase in the deficit during 1927-28 as shown in the budget account and that as shown in the Profit and Loss Account.

	According to Profit and Loss Account.	According to Budget Account.
	Rs.	Rs.
Deficit during 1927-28 ..	..	..
	5,55,007	2,39,699
Deficit during 1926-27 ..	..	..
	3,99,415	2,18,414
<hr/>		
Increase in the deficit in 1927-28 over 1926-27	..	1,55,592
		21,285
Difference ..	..	..
		1,34,307

Explanation of the difference between the figures of deficit shown in the Profit and Loss and Grant accounts respectively :--

	Rs.	
1. Difference due to expenditure of a Capital nature on " Works " appearing in full in the Budget, but in respect of which only depreciation and interest are shown in the Profit and Loss account	.. 76,468	
2. Do. under Supplies and Services	9,216	/ An important factor resulting in these differences is a change in the method of the preparation of the Profit and Loss account introduced in 1927-28. All expenditure on assets was previously treated as " Capital outlay " but from 1927-28 it was decided to treat articles of furniture, etc., and also technical equipment and apparatus costing less than Rs. 100 each as " Revenue " expenditure.
3. Do. under Contingencies	.. 23,830	/ In the accounts of some organisations the total book value of such assets on 1st April 1927 was debited to the Profit and Loss account of 1927-28, resulting in a larger debit than that appearing in the regular ac-

Rs. 21,68,636 that is, by 11.5%. The purely departmental expenditure, however, increased by 9.5% only, the difference of 2% representing the increase of the Audit charges debitible to the Department, which exceeded those of the previous year by 37.7%. Thus, the increase of the Audit charges was relatively much greater than that of the purely departmental expenditure.

There were no special reasons which operated so as to prevent a larger increase of revenue than that which occurred apart from the reluctance of the consuming Departments to utilize the Stores Department more extensively.

Of the increase of expenditure, about 5% represents normal growth, due to accrual of increments in the pay of the staff, etc., leaving 4.5% attributable to the expansion of the Department. This increase does not compare unfavourably with the growth of revenue, namely, 4.4%.

An examination of the accounts of the past four years shows, however, that there has been a steady improvement of the financial position. The earnings have increased by 85% since 1924-25, while the increase of expenditure has been 69.8% only. The proportion of revenue to expenditure has increased from 68.3% in 1924-25 to 74.4% in 1927-28. In other words, while we failed to recoup Rs. 31.7 of every hundred rupees of expenditure in 1924-25, in 1927-28 we lost only Rs. 25.6 on every hundred rupees of expenditure. If the Audit charges are excluded, we recouped 81.8% of our expenditure in 1927-28 as against only 71.2% in 1924-25, which again goes to show that Audit charges are rising in a higher ratio than our own. The increase of these charges has resulted in setting back progress towards financial equilibrium to the extent of about 5%.

The above results are deduced from the figures shown in the Profit and Loss Account which, as mentioned, exhibits the amount of revenue earned, not that actually realised. If we take actual realisations since 1924-25 into account we find an increase of 97.5% as against an increase of 69.8% of expenditure inclusive of audit charges and 61.1% exclusive of audit charges. The increase of revenue during 1927-28 amounted to 6.3% as against 4.4%, on the basis of revenue earned. We also find that there was a larger increase of the proportion of the recouped expenditure. In 1924-25 the percentage was 62.4 whereas in 1927-28 it was 72.6, that is, an improvement of 10.2% as against 6.1% calculated on the basis of earned revenue.

**Profit and Loss accounts and Budget accounts of the Indian Stores
Department for the years 1926-27 and 1927-28**

Profit and Loss accounts and Budget accounts of the Indian

Dr.

No.	Head of account.	Profit and Loss account.			Budget 1926-27.
		1926-27.	1927-28.	Increase.	
1	2	3	4	5	6
		Rs.	Rs.	Rs.	Rs.
1	To pay of officers	5,91,534	6,55,336	63,802	5,91,533
2	To pay of establishment ..	5,23,082	5,97,467	74,385	5,23,081
3	To allowances	1,69,105	1,77,028	7,923	1,69,106
4	To grants-in-aid	2,136	600	—1,536	2,136
5	To supplies and services ..	51,431	78,777	27,346	60,864
6	To contingencies	1,16,772	1,29,847	13,075	1,29,757
7	To petty construction and repairs	14,408	8,580	—5,828	91,854
8	To leave salary paid in England ..	85,565	47,614	—37,951	..
9	To pensionary charges	86,674	1,02,840	16,166	..
10	To Government contribution to provident fund	38,571	38,540	—31	..
11	To interest on capital outlay ..	65,032	64,067	—965	..
12	To depreciation charges ..	28,876	25,153	—3,723	..
13	To stationery and printing ..	29,689	47,806	18,117	..
	Total I. S. D. proper ..	18,02,875	19,73,655	1,70,780	15,77,331
14	To cost of audit and accounts ..	1,41,503	1,94,981	53,418	1,22,086
	Total expenditure side ..	19,44,438	21,68,636	2,24,198	16,99,417
	Total receipts	15,45,023	16,13,629	68,606	14,81,003
	Deficit	3,99,115	5,55,007	1,55,592	2,18,414

Stores Department for the years 1926-27 and 1927-28.

Cr.

account.			Difference between columns 5 & 8.	Head of account.	Profit and Loss account.		
1927-28.	Increase.	7			1926-27.	1927-28.	Increase.
		8	9	10	11	12	
			Rs.	Rs.	Rs.	Rs.	Rs.
6,55,336	63,803			1	(1) By recoveries on account of fees for tests, inspections, etc., from Govt. Depts., Rail- ways, private firms and in- dividuals ..		
5,97,466	74,385				(2) By 1% Ins- pection charge.	2,07,586	2,36,668
1,77,028	7,922				(3) By 1% pur- chase charge.	3,98,800	3,73,046
600	—1,536				(4) By miscella- neous receipts.	36,672	44,754
87,994	18,130						8,082
1,19,002	—10,765						
9,558	—82,296						
..	..						
..	..						
..	..						
..	..						
..	..		31		Total ..	15,45,023	16,13,629
..	..		965		(5) By net loss for the year ..	3,99,415	5,55,007
..	..		3,723				1,55,592
..	..		—18,117				
16,46,984	69,653		—1,01,127				
1,66,609	44,523		—8,895				
18,13,593	1,14,176		—1,10,022				
15,73,894	92,891		24,285				
2,39,699	21,285		1,34,307				



APPENDIX XIII.

Memorandum furnished by the Commerce Department explaining the excess expenditure incurred on the conversion of the troopship "Dufferin" into a Training ship for the training of Indian boys as deck officers.

The Report of the Indian Mercantile Marine Committee was submitted in March 1924. In chapter II of their Report the Committee recommended the establishment of a Training Ship in Indian waters and they suggested that the Royal Indian Marine Troopship "Dufferin", which was being disposed of in the interests of economy, should be retained for this purpose and converted into a Training Ship which would be stationed at Bombay. The Committee's proposals did not, however, furnish sufficient details to enable the Government of India to formulate a definite scheme for the training of Indian boys as deck officers. The Government of India, therefore, decided to obtain the services of an expert from England to prepare a detailed scheme for the establishment of a Training Ship in Indian waters and they secured the assistance of Captain M. B. Sayer, C.B.E., R.D., R.N.R., Captain Superintendent of the Training Ship "Worcester", for this purpose. Captain Sayer came out in November 1925 and submitted a report on the 28th December 1925. After a careful and detailed inspection of the "Dufferin" he came to the conclusion that the vessel was decidedly suitable for the purposes of a Training Ship and that the cost of conversion would be moderate. He also prepared a rough estimate of the cost of fitting out the vessel as a Training Ship and this estimate amounted to Rs. 2,23,000; it was prepared (Annexure A) in consultation with the Director, Royal Indian Marine, who obtained the details from his Constructor and Engineer. He further suggested that Karachi would be more suitable than Bombay for the location of the Training Ship.

2. On the 19th March 1926, in connection with Sir P. S. Sivaswami Aiyar's resolution regarding the need for the nautical training of Indians and the creation of an Indian Mercantile Marine, the Legislative Assembly accepted, in principle, the scheme for the establishment, in Indian waters, of a Training Ship for deck officers. On the 25th March 1926 the Director of the Royal Indian Marine was asked to prepare a detailed estimate for fitting out the "Dufferin" as a Training Ship on the basis of the recommendations made by Captain Sayer. He submitted a detailed estimate accordingly on the 17th May 1926, and this estimate amounted to Rs. 2,27,645. No question was then raised of any purchase price to be paid by the Civil Department for the vessel. The Standing Finance Committee approved this estimate in August 1926, and the Legislative Assembly voted a supplementary grant of Rs. 2,00,000 for the conversion of the "Dufferin," on the 31st of the same month. The detailed estimate, amounting to Rs. 2,27,645 (Annexure B) was sanctioned on the 25th October 1926 and the Director, Royal Indian Marine was instructed (Annexure C) to take the work in hand. He was, at the same time, asked to inform the Government of India what expenditure was likely to be incurred during the year 1926-27 and what provision should be made in the Budget estimates for 1926-27 on this account. On the 28th December 1926, the Director, Royal Indian Marine, reported that it was anticipated that an expenditure of Rs. 87,000, approximately, would be incurred during the financial year 1926-27 and that the balance would be expended during the next financial

year. The Standing Finance Committee was informed accordingly towards the end of January 1927 and a provision of Rs. 1,40,973 (after allowing for a small rounding) was made in the Budget for 1927-28.

3. In June 1927 it was decided that the Training Ship must be located at Bombay and not at Karachi. This decision was reached on the ground that there was no dry dock at the latter place and it would be very expensive and also unsafe to tow the vessel to Bombay every second year for dry-docking. The Director, Royal Indian Marine, was informed accordingly.

4. A proof copy of Demand "No. 45-Ports and Pilotage" for the year 1928-29 was received, through the Finance Department, early in February 1928, and it was noticed that a provision of Rs. 3,50,000 was included by the Accountant General, Bombay, in the Revised Estimate for 1927-28 against the sanctioned grant of Rs. 1,40,973 for that year. A telegram was at once sent to the Captain Superintendent of the "Dufferin" pointing this out and asking him to telegraph, after consultation with the Director, Royal Indian Marine, and the aeeounts authorities, the reasons for this large excess. On the 9th February 1928, the Captain Superintendent telegraphed as follows :—

" Consulted Director and Controller of Marine Accounts. Director advises—Begins. Excesses due to change of port from Karachi to Bombay as ship's draught had to be altered necessitating big radical structural alterations to hull also to long period of ship's lay up which resulted in many unforeseen repairs due to deterioration. Total charges have not yet come forward. Approximate total Rs. 3,50,000 correct against sanctioned estimate of Rs. 2,27,645. Director addressing Government of India."

The further eommunieation from the Director, Royal Indian Marine, promised in the above telegram was, however, not received, and on the 24th February 1928, a re-appropriation of Rs. 1,22,027 from other sub-heads under the same grant was sanctioned, with the approval of the Finance Department, to meet the antieipated excess of expenditure on the conversion of the "Dufferin", over the sanctioned grant for the purpose. This figure was arrived at as follows :—

	Rs.
Total estimated expenditure	.. .. .. .. 3,50,000
 *Expenditure during 1926-27	 Rs. 87,000
Sanctioned Grant for 1927-28	1,40,973 2,27,645
	1,22,027

5. During the year 1927-28 sanction was also accorded, with the approval of the Standing Finance Committee, to the payment of a sum of Rs. 1,25,000

*Actual expenditure during that year amounted, however, to Rs. 55,411 only, but the Government of India were not apprised of the fact at the time.

as the purchase price of the "Dufferin". This amount was also found by reappropriation from other sub-heads under "Demand No. 45-Ports and Pilotage".

6. As it was found possible to meet the anticipated excesses in expenditure on the conversion of the "Dufferin" by re-appropriation from the sanctioned grant under the same demand head, it was not considered necessary to approach the Standing Finance Committee in regard to the matter, but, as stated above, the approval of the Finance Department was obtained to the re-appropriations made. The necessity for the establishment of a Training Ship and for the conversion of the "Dufferin" had already been accepted, both by the Standing Finance Committee and the Legislative Assembly. It did not, therefore, appear to the Commerce Department that the items on which the additional expenditure had to be incurred, were of the nature of new services or required the specific sanction of the Legislative Assembly. It is a well known fact that in a work of this kind it is practically impossible to frame even an approximately accurate estimate until the ship has been entirely opened up in dry-dock. It generally happens that new defects which had not been anticipated at the time of the framing of the estimate are discovered as each portion of the ship is opened up, and the mending of these unforeseen defects necessarily increases the estimated cost of repairs. This is what happened in the present case; and the Director, Royal Indian Marine, was asked to explain why the previous sanction of the Government of India was not obtained to the increased expenditure. In his reply, with which he forwarded correspondence which had passed between himself and the Accountant General, Bombay, he states as follows:—

"I understand it was my predecessor's intention to report the matter to the Government of India and obtain approval for the extra expense, as stated in the telegram of 9th February 1928 from the Captain Superintendent of the "Dufferin" to the Commerce Department, but as the work progressed and fresh defects were constantly being discovered, it was considered advisable to defer the matter until a final decided estimate could be furnished. If the Government of India had been given an approximate estimate and the sanction awaited before the additional items of work were taken in hand, the completion of the vessel would have been seriously delayed."

Most of the extra expenditure incurred was on account of the additional work necessitated by the vessel having been laid up for a long period and the alterations necessitated by the change of the station of the ship from Karachi to Bombay. It was impossible to estimate correctly the amount of damage done to the ship by her long lay-up, and the change of location of the ship from Karachi to Bombay was decided upon after the original estimates had been framed.

7. In footnote 2 on page 167 of the Appropriation Accounts it is stated that the total cost of conversion including purchase price of the ship (*viz.*,

Rs. 1,25,000) was Rs. 5,02,786. This amount is made up of the following items :—

	Rs.
(1) Expenditure on conversion during 1926-27	.. .. 55,411
(2) Expenditure on the maintenance of the "Dufferin" during 1926-27 and 1927-28.	21,413
(3) Purchase price of the "Dufferin"	1,25,000
(4) Expenditure on the conversion of the "Dufferin" during 1927-28.	3,00,962
 Total	 5,02,786

Items (2) and (3) above do not really form part of the cost of conversion of the vessel. Item (2) represents the necessary recurring expenditure, on a care-taking party and supplies, which had to be incurred since 1924 when the vessel was taken over from the Royal Indian Marine. Item (3) really means the transfer of money from one pocket of the Central Government to another. The actual expenditure incurred on the conversion of the "Dufferin" is that given under items (1) and (4) above, namely, Rs. 3,56,373 against the original estimate of Rs. 2,27,645, *i.e.*, an excess of Rs. 1,28,728 or 56·5 per cent.

8. At the meeting of the Public Accounts Committee held on the 17th instant, it was suggested that the Commerce Department, when sanctioning the original estimate, should have stipulated that the estimate should not be exceeded. It is an established practice of Government Departments that expenditure on works should be limited to the sanctioned grant and the Director, Royal Indian Marine, to whom the work was entrusted in the case under reference, was expected to see that the sanctioned estimate was not exceeded and to obtain the necessary sanction of Government to additional expenditure if the sanction was likely to be exceeded. His reasons for not applying for an additional grant are given in paragraph 6 above.

ANNEXURE A.

Estimate of non-recurring cost of fitting out the R.I.M.S. "Dufferin" as Training Ship.

Alterations and repairs as per estimate attached :—

			Labour.	Material.	Total.
			Rs.	Rs.	Rs.
Alterations	..	..	..	30,150	43,400
Reconditioning work	..	..	..	26,552	20,292
Overhead charges	..	..	..	25,516	12,738
			Total	..	1,58,648
Electric fittings, etc., as per estimate attached			11,000	23,000	34,000
			2,250	3,150	5,400
			Total	..	39,400
Awnings, running gear, fitting sails, yards, etc.			..	..	25,000
Grand total of non-recurring charges			..	..	2,23,048

N.B.—There will be some returns on stores, etc., and arisings but no allowance for this has been made in the estimate.

The estimate includes the provision of additional furniture for cabins.

ANNEXURE B.

No. of Item.	Description of Alterations and Additions.	Report and Recommendations by Dockyard Officers.	Estimated cost (a).						No. of Item
			Labour.	Ma- te- rials pur- chased lo- cally.	Total In- dian Esti- mate (Cols. 7 & 8).	Ma- ter- ial Eu- rope Im- port- ed direct.	(b) Grand Total (Cols. 9 & 10).		
1	2	3	4	5	6	7	8	9	
1	<i>On Orlop and Troop Decks.</i> —Fitting of Gymnasium on Orlop Deck. Modification of Troop Decks for Class Room and Messing Spaces. Alteration in Hospitals and Family Quarters to provide 100 sleeping berths and wash places.	1. Neces- sary as stated.	10,850	9,600	28,450	7,200	35,650		
2	<i>On Main Deck.</i> —Alterations for Captain's Sleeping Cabin, Drawing Room and Dining Room. Alteration to 2nd Saloon for Executive Officers Mess & Sitting Rooms. Alteration to existing cabins to provide 3 large cabins including provision of necessary furniture.	2. Neces- sary as stated.	4,350	6,000	10,350	3,300	13,650		
3	<i>On Spar Deck.</i> —Smoko Room to be fitted as Class Room.	3. Neces- sary as stated.	218	90	308	00	308		
4	<i>On Boat Deck.</i> —Alterations to provide Captain Deck Sleeping Cabin, Indian Schoolmaster's Sitting Room, Hospital for Cadets with 10 berths, complete with Dispensary, bath and W. C., including necessary furniture.	4. Neces- sary as stated.	4,350	5,400	9,750	2,400	12,150		

No. of Item.	Description of Alterations and Additions.	Report and Recommendations by Dockyard Officers.	Estimated cost (a).					(b) Grand Total Cols. (9 & 10).	No. of Item.
			Labour.	Materials purchased locally.	Total Indian Estimate (Cols. 7 & 8).	Material Europe Imported direct.	8		
1	2	3	4	5	6	7	9		
5	Yards 60 ft. and 40 ft. to be provided.	5. Necessary as stated.	1,450	600	2,050	5,400	7,450	5	
6	Boats.—Renewals or repairs of— 2 28' Cutters. 2 27' Montagu Whalers. 1 30' Montagu Gig. 1 30' Motor Cutter. 1 33' Life Boats.	6. Necessary as stated.	14,500	9,600	24,100	2,400	26,500	6	
7	Reconditioning Work. Dry docking Vessel, cleaning and coating bottom. Cleaning all double bottoms and fresh water tanks. Overhauling Sanitary and Fresh Water Services including hand pumps. Overhauling galleys, latrines, W. Cs., bathrooms, etc. Scraping fiddleys, casings, gutterways, underside of Boat & Bridge Decks. Cleaning chain lockers, testing chain cables. Cleaning all bilges. Painting topsides, weather works, Orlop, Troop, Main, Spar and Boat Decks. Caulking Orlop, Troops and Main Decks.	7. Necessary as stated.	38,500	18,240	56,740	6,110	62,850	7	

No. of Item.	Description of Alterations and Additions.	Report and Recommen- dations by Dockyard Officers.	Estimated cost (a).						No. of Item.
			Labour.	Mat- e- ri- als pur- chased lo- cally.	Total In- di- an Esti- mate (Cols. 7& 8).	Mat- e- ri- als Eu- ro- pe- an Im- port- ed direct.	Grand Total (Cols. 9 & 10).		
1	2	3	4	5	6	7	8	9	
8	Two Paraffin Motor Driven Dynamos from Store to be fitted on board, entailing the removal of 3 Existing Steam Driven Dynamos, to provide Fresh Water Circulating Motor Driven Pump complete with suction and discharge pipes and connections, and to adapt existing switch-board and running mains for same.	9. Neces- sary as stated.	5,873 725	480 120	6,353 845	13,260 420	19,613 1,265	S.C.E.	
9	Motor Driven Centrifugal Pump for General Service, diameter of Inlet $3\frac{1}{2}$ ", to be fitted on board, entailing removal of present steam pumps, alterations to suction and discharge pipes, etc.	9. Neces- sary as stated.	2,320 326	240 60	2,560 386	4,440 360	7,000 746	P.O.E.	E. E.
10	Motor Driven Centrifugal Pump for fresh water, diameter of Inlet $2\frac{1}{2}$ ", to be fitted on board, entailing removal of present steam pump, alterations to suction and discharge pipes.	10. Neces- sary as stated.	2,320 326	240 60	2,560 386	3,600 360	6,160 746	10.C.E.	E. E.
11	Alterations and additions to electric wiring as necessary to suit structural alterations and making good defects in spaces which will be utilised and rendering safe circuits no longer required, and any other contingent work to hull, etc., in connection with fitting Dynamos, Pumps, etc.	11. Neces- sary as stated.	2,175 1,885	480 480	2,653 2,365	1,089 1,920	3,735 4,285	C. E. 11	E. E.

Description of Alterations and Additions.	Report and Recommendations by Dockyard Officers.	Estimated cost (a).						(b) Grand Total (Cols. 9 & 10).	No. of Item.
		Labour.	Materials purchased locally.	Total Indian Estimate (Cols. 7 & 8).	Material Europe Imported direct.	8	9		
2	3	4	5	6	7	8	9		
2 Foremast :—Fore shrouds to be cut down 14' Jacob's ladders, futtock shrouds, fore topmast shrouds, topmast back stays No. 2 topmast fore stays No. 2, lifts, stays, foot ropes, and braces on lower and topsails yards, clew garnets, reef tackles, buntlines, leach lines, sheets, and tacks for sail to be made.	12. Necessary as stated.	1,232	720	1,952	3,000	4,952		12	
3 Lower and topmast shrouds to be rattled down.	13. Necessary as stated.	334	240	574	600	1,174		13	
3 Main Mast :—All standing and running rigging taken down (scrubbed), all seizings on splices and turn backs to be renewed, main shroud to be rattled down, wire jumping ladder to be renewed, all bottle screws eased up, white leaded and tallowed over, and covered with canvas.	14. Necessary as stated.	290	210	500	290	1,270		14	
4 Awning ridge ropes. All to be renewed.	15. Necessary as stated.	290	180	470	600	1,070		15	
5 Boats davits, guys and fore and afters to be renewed.	16. Necessary as stated.	362	120	482	512	722		16	
6 Sending aloft new fore topmast, lower and topsail yards.	17. Necessary as stated.	6,221	651	6,772	11,352	18,125		17	
Total Rupees .. The total amount includes overhead charges.	..	3,51,81	2,55	2,55,81	5,55,81	12,55,81			

ANNEXURE C.

LETTER TO THE DIRECTOR, ROYAL INDIAN MARINE, NO. 238-S. (35), DATED THE 25TH OCTOBER 1926.

I am directed to convey the approval of the Government of India to the detailed estimate (Alteration List No. 28, dated the 13th May 1926) for Rs. 2,27,645 which was forwarded with your letter No. 2803-T., dated the 17th May 1926, for fitting out the "Dufferin" as a training ship.

2. The work of converting this ship into a training ship should accordingly now be taken in hand. A provision of Rs. 2,00,000 has been made for this work in the current year's budget under the head "Ports and Pilotage".

3. I am to request that the Government of India may be informed at a very early date what expenditure it is anticipated is likely to be incurred during the current financial year, and what provision should be made in the budget estimates for 1927-28 on this account.

APPENDIX XIV.

Memorandum furnished by the Financial Commissioner, Railways, regarding the preparation of estimates and control over expenditure.

The present rules provide that the sanction of the Railway Board is necessary—

- (1) to expenditure on the construction of new lines;
- (2) to expenditure on open line works when the total capital cost exceeds 1 lakh of rupees, though if it is included in the budget sanctioned by the Railway Board the Agent can sanction expenditure up to 5 lakhs of rupees provided that no excess of more than 20% over the cost entered in the budget is involved. For other expenditure an estimate should always be sanctioned by the Railway Board.

2. The sanction of the Railway Board is required to expenditure in excess of an original estimate sanctioned by the Railway Board when the excess is more than either 1 lakh or 10% of an original estimate, and to expenditure in excess of a first revised estimate or second estimate so sanctioned when it is in excess of more than Rs. 10,000 or 5% and to any expenditure in excess of a second or subsequent revised estimate sanctioned by the Railway Board.

3. The Railway Board introduced in 1922 the system of sanctioning on abstract estimates works estimated to cost more than 18 lakhs and not expected to be completed within three years. The Railway Administration concerned submits for administrative approval a narrative report describing the proposed scheme as a whole and giving a general approximate estimate of the cost by works and approximate allocation between capital and revenue verified as far as possible by the Audit Officer. On receipt of the general or administrative sanction to the scheme as a whole, detailed estimates for works would be prepared and submitted as and when required for proper financial sanction. The reason for the introduction of this new procedure was that an attempt to prepare plans and estimates in full detail in such cases at the outset resulted in a great amount of detailed work being performed which was ultimately wasted owing to the fact that as the work progressed circumstances changed and prices of materials varied and it might be found necessary to modify the scheme in detail and cost long before it reached completion.

4. The general rule is, however, that no expenditure is incurred on any work except in matters of grave urgency before a detailed estimate is sanctioned by the competent authority.

5. In the case of new constructions, sanction is given by the Railway Board or higher authority on consideration of the traffic survey and an abstract estimate of the cost of the line. After sanction to the abstract estimate is accorded the Railway Administration proceeds to undertake the final traffic survey and with the land acquisition. Orders are proposed to be issued making it quite clear that detailed estimates should be prepared simultaneously.

final location survey and submitted to the Railway Board for approval before construction is started.

Control over expenditure.

From the commencement of work a review showing the financial position at the end of each quarter is submitted to the Railway Board. This review shows the actual expenditure already incurred verified by the responsible Accounts Officer and the estimate of the Engineer-in-Charge of the construction of the further outlay required to complete it. Any large excesses anticipated are explained briefly, and if it is considered that a revised estimate should be submitted for the sanction of the Board, the date of the submission of the revised estimate is stated. The rule is that no expenditure or liability should be incurred on any work which introduces a material modification of the project as sanctioned by the Board without the prior sanction of the Board, and Engineers are held responsible for bringing to notice any reasonable probability that an estimate will be exceeded.

APPENDIX XV.

Note furnished by the Financial Commissioner, Railways, explaining the figures in paragraph 30 of the Appropriation Accounts of Railways in India for 1927-28.

The Public Accounts Committee wanted me to give an explanation of the fact that in the figures shown in paragraph 30 of the Appropriation Report the surplus profits in certain cases diminished simultaneously with the increase in nett receipts. The main reason is that surplus profits paid in any year are based generally on the results of the previous year : in some railways however (Assam Bengal Railway and Rohilkund and Kumaon Railway), where surplus profits are payable half-yearly instead of annually they would be based on the results of the last half year of the previous year and the first half year of the current year. It will be observed that in all the cases referred to, an increase in nett receipts in any year over the preceding year corresponds to an increase in surplus profits in the following year, e.g., on the Bengal Nagpur Railway the net receipts for 1926-27 exceeded those of 1925-26 by 33.46 and the surplus profits for 1927-28 exceeded those of 1926-27 by 1.80.

The figures under 'all other railways' require a little analysis before they can be explained. The figures of Company-managed Railways are as follows :—

Railway.	Net receipts (Gross receipts less working expenses but excluding surplus profits).			Payment on account of share of surplus profits and of net revenue receipts.		
	1925-26.	1926-27.	1927-28.	1925-26.	1926-27.	1927-28.
Assam Bengal ..	75.59	80.36	97.35	..	2.10	4.04
B. and N. W. ..	95.83	1,01.86	99.45	4.70	..	5.25
R. and K. ..	19.59	17.46	20.97	99	1.30	1.56
Total ..	..	..	..	5.69	3.49	10.85

No payment is shown against the B. and N. W. Railway in 1926-27, as from that year a revised procedure by which the profits of the year are charged off in the accounts of the following year were introduced. The former procedure on this Railway was to charge it in the account of the year to which the profits related.

APPENDIX XVI.

Statement furnished by the Financial Commissioner, Railways, of Lines constructed and started for construction under Guarantee from Local Governments and District Boards.

Name of Railway.	Date of opening.	Amount of guarantee.
<i>Lines opened for traffic.</i>		
1. Moulmein-Ye Railway ..	Opened in sections between 2nd August 1923 and 16th April 1925.	Actual loss due to construction and working up to a maximum of Rs. 7½ lakhs in each year.
2. Shoranur-Nilambur Railway ..	Opened in sections between 3rd February and 26th October 1927.	Actual loss due to construction and working up to a maximum of Rs. 1,39,000 in each year.
3. Shahdara-Narowal Railway ..	21st December 1926.	Actual loss due to construction and working up to a maximum of Rs. 20,000 in each year. In this case the losses borne by Government of India form the first charge against profits accrued in any year before any recoupment is made to the local Government.
4. Kangra Valley Railway ..	1st April 1929	Actual loss due to construction and working up to a maximum of Rs. 4 lakhs per annum for 13 years.
5. Cuddalore-Vriddhachalam Railway.	21st June 1928	Actual loss due to construction and working up to a maximum of Rs. 1 lakh a year.
6. Salem-Metur Dam Railway ..	15th April 1929	Actual loss due to construction and working up to a maximum of Rs. 41,000 per annum.
<i>Lines under Construction.</i>		
7. Sind Left Bank Feeder Railway	Under construction.	A fixed sum of Rs. 4 lakhs annually for each of the first 5 years after opening, and thereafter the actual loss due to construction and working subject to the maximum of Rs. 2 lakhs per annum.
8. Tangla-Belsiri Railway	Do.	Actual loss due to construction and working up to a maximum of Rs. 1,75,000 per annum.

APPENDIX XVII.

Memorandum furnished by the Financial Commissioner, Railways regarding the present arrangements for sleeper purchases by railways.

The Public Accounts Committee desired a memorandum to be prepared for them regarding the present arrangements for sleeper purchases by railways. They wanted information particularly on the following points:—

- (1) the procedure by which railways take over sleepers from contractors;
- (2) the safeguards adopted so that the sleepers cannot be changed after having been passed;
- (3) whether public tenders are called for in sleeper contracts and what security is taken; and
- (4) the old and new systems of passing sleepers on the North Western Railway.

There are 5 Sleeper Groups, the Northern, Central, Terai, Eastern and Southern.

The average annual number of sleepers purchased by each group is:—

Northern Group	..	..	..	14,00,000 B. G.
				1,50,000 M. G.
Central Group	..	..	..	4,50,000 B. G.
				1,75,000 M. G.
Terai Group	..	..	..	3,50,000 M. G.
Eastern Group	..	..	..	6,00,000 B. G.
				3,50,000 M. G.
				75,000 N. G.
Southern Group	..	..	..	1,50,000 B. G.
				2,00,000 M. G.

The *Northern Group* deals with about 50 per cent. deodar and 50 per cent. soft woods which are treated at Dhillian. The majority of this comes from Kashmir and other Indian States.

The *Central Group* deals with sal from Nepal and about 60,000 M. G. sal from United Provinces Government forests.

The *Terai Group* deals with sal from United Provinces Government forests.

The *Eastern Group* deals with all sal, 80 per cent. from Indian States and 20 per cent. from Government forests of Assam, Bengal, Bihar and Orissa and the Central Provinces.

The *Southern Group* deals with teak and mixed South Indian hardwoods, about half from private and State forests and half from Forest Departments of Bombay and Madras.

As regards the safeguards adopted to prevent the changing of sleepers after passing, the forest or Railway officer examining the sleepers is supplied with a railway marking hammer. This is kept in his custody and he marks

the passed sleepers, which are then kept in custody till despatched. As soon as possible after the sleepers are passed they are despatched to destination and are there taken over and checked by the receiving railway which is due course reports the receipt of the sleepers.

Public tenders are called for in all cases except for supplies from Forest departments when arrangements are made direct either by the Railway Board itself or by a Sleeper Group with the approval of the Railway Board.

Security is always taken except in cases where there are direct arrangements between the Forest department and a Sleeper Group. Security of 2 per cent. on total value of contract is taken by the *Northern Group*. This is low probably because a period of 18 months to two years generally elapses between the placing of the contract and the supply of the sleepers from remote forest in the Himalayas. In other groups security varying from 5 per cent. to 10 per cent. is taken and full payment for the sleepers is not made until a clear receipt is given by the receiving railway.

As regards the old and new methods of passing sleepers, the Agent, North Western Railway reports as follows:—

“ Under the old system of passing sleepers only 10 per cent. of the total consignment was inspected and classified under:—

- (1) First class sleepers.
- (2) Second class sleepers.
- (3) Serviceable sleepers.
- (4) Rejected sleepers.

The whole consignment was accepted at specified rates if the first class sleepers were at least 85 per cent. of the total and the rejected sleepers less than 5 per cent. of the total number.

Under the new system sleepers are ordinarily inspected one by one but the railway reserve the right to inspect and classify 50 per cent. of the total sleepers in the case of ordinary contracts and 20 per cent. in the case of 5 year contracts and apply the results of this percentage inspection to the remainder.

All sleepers have to be first class except in the case of deodar sleepers when 2nd and 3rd class sleepers up to a maximum of 12½ per cent. of the total shall be accepted provided the percentage of 3rd class sleepers does not exceed 3 per cent. of the total and of broken and rejected 1 per cent. of the total at one passing.

Broken and rejected sleepers are not accepted and, when loading the un-inspected sleepers all broken and rejected sleepers have to be replaced according to the classification arrived at by the percentage inspection.

As reported in this office letter 8-W/12 of 21st February 1929 the old system had been worked for several years with good results. But in view of the deterioration in the standard of deodar sleepers in recent years and in view of the fact that we have been purchasing large quantities of soft wood sleepers which showed greater variation in quality than deodar it has been considered desirable to inspect a larger percentage of sleepers even though the inspection charges are thereby substantially raised.”

APPENDIX XVIII.

Memorandum furnished by the Financial Commissioner, Railways regarding the brick factory constructed by the B. N. Railway Administration.

The Public Accounts Committee desired me to give them a memorandum on the brick factory constructed by the Bengal Nagpur Railway Administration and referred to in paragraph 14 of the Annexure to the Appropriation Report on Railways for 1927-28. The following is based on information supplied by the Bengal Nagpur Railway.

2. Owing to the shortage and higher cost of labour, and the inferior bricks produced by the local contractors, as well as the high cost and heavy breakages of tiles purchased at a distance, it was decided by the Agent, Bengal Nagpur Railway in 1922, that it would be advisable for the Railway to have a brick and tile factory of their own situated in the vicinity of Kharagpur.

3. The works then under contemplation were the new Bazaar and Settlement, the extension of the Locomotives, Carriage and Wagon Shops, stores buildings and extra quarters at Kharagpur : also works at Anara, Adra and Tatanagar ; the strengthening of the Evelyn Bridge, the possibility of doubling the line between Tatanagar and Kharagpur and the lining of the new tunnel at Saranda.

4. The factory contemplated was to have been capable of turning out 11 million bricks, 2 lakhs of roofing tiles and 3 lakhs of flat tiles per year, and it was estimated that at the output for which the factory was designed, and allowing for depreciation, the pressed bricks would cost Rs. 14 per thousand at the factory as against Rs. 14-8-0 then being paid for 1st class bricks at the brickfields ; and that roofing tiles and flat tiles would cost the same as was being paid for tiles obtained from outside sources.

5. The factory was in due course completed early in 1925 at a Capital cost of Rs. 4,91,955 as against the estimated figure of Rs. 4,59,432, the excess being in the main due to cost of Electrical Plant, the kiln, and water supply.

6. Unfortunately many unforeseen difficulties occurred in connection with the initial working of the factory, which took considerable time to overcome. The Staffordshire Kiln took much longer to dry out than anticipated, the consumption of coal, particularly in the initial stages proved greater than estimated, and the outturn could not be worked up to. Finally the Brick Expert became seriously ill and had to resign his appointment.

7. At the same time, several of the works, such as the buildings at Anara and doubling of the line between Tatanagar and Kharagpur for which the bricks were estimated to be required, and which were amongst the reasons for erecting the factory, were curtailed or entirely stopped. It was then evident that it would take much longer than 5 years to work off the depreciation allowed in the estimate and that as the result of the restricted outturn, the cost of the bricks would greatly exceed the estimated figure.

8. In spite of these disadvantages, a very good class of both pressed bricks and hand moulded bricks burnt in the Staffordshire Kiln were ultimately produced which were used on the strengthening of the Evelyn Bridge the lining of the new Saranda Tunnel and the Khorkai Bridge at Rairangpur, the

Carriage and Wagon Shops and quarters in the New Settlement at Kharagpur. The Administration reports "after allowing for depreciation at Rs. 2-8-0 per thousand, the average cost of the bricks turned out from the factory from the start up to the end of August 1928 works out to Rs. 38-2-0 per thousand, which, although $2\frac{3}{4}$ times the estimated figures, is no very exorbitant cost when one considers the average quality of the bricks produced. It may be mentioned that the cost of blue bricks used on King George's Dock in Calcutta is between Rs. 105 and Rs. 127 per thousand. Admitting that the pressed bricks made at the Gokulpur Factory are not as good as a blue brick, still both the pressed and the hand moulded bricks made in the Factory are greatly superior to anything else obtainable on the Railway. When one realises the importance of works like the Saranda Tunnel and the Evelyn and Khorkai Bridges it will, it is felt, be conceded that only the best material procurable should be used to ensure against disaster in the future."

9. As the parts of the works which required the specially hard pressed bricks are completed it has been decided to retain a portion of the factory for producing hand moulded bricks burnt in the Staffordshire kiln, giving an outturn of 4 lakhs of bricks per mensem throughout the year. These hand moulded bricks are reported to be not only superior to the bricks produced by the contractors, but, after the disposal of the surplus plant not required for hand moulding, and with the writing down to present market value of the plant and buildings to be retained, to be cheaper than contractor's bricks.

10. The Railway Administration claims two great advantages obtained by the possession of this brick factory : (i) bricks can be successfully manufactured during the monsoon months, when contractors are unable to manufacture at all ; and (ii) the quality and price of bricks can be controlled. It is understood bricks of better quality can be produced at an average cost of Rs. 14-12-0 per 1,000 against Rs. 15-2-0 for contractor's bricks in the fine weather only.

11. The Railway Administration propose that as the factory was specially constructed for the purpose of supplying high class bricks for certain definite capital works, the cost of running the factory should be a direct debit to the capital works to which these bricks were issued. This question is at present under the consideration of the Railway Board.

APPENDIX XIX.

*Memorandum furnished by the Army Department showing how far the Army is utilising the services of the Indian Stores Department in the purchase of stores.

During the past three years, purchase orders of aggregate value as under have been placed with the Indian Stores Department by the Contracts Directorate :—

						Rs.
1926-27	..	..	..	..	..	23,56,000
1927-28	..	..	..	..	..	60,13,000
1928-29	..	..	..	..	..	73,64,000

In addition to the above, the Indian Stores Department purchase the requirements of the Military Engineering Services and the Royal Indian Marine on indents placed direct by these Services.

The total orders placed in 1928-29 on the Indian Stores Department by all Branches of the Army and the Royal Indian Marine (who are included in the Army Budget) aggregated Rs. 1,32,75,000. This sum represents more than one-third of the entire orders placed on the Indian Stores Department during 1928-29.

2. The stores purchased by the Indian Stores Department on behalf of the Army comprise textiles, engineering and electrical stores, motor accessories, fuel oil, Royal Indian Marine Dockyard requirements and miscellaneous stores.

The Contracts Directorate purchases supplies for men and animals, aviation and motor fuels, lubricating and greasing oils, paints, filters and leather stores, metals, chemicals and explosives, packing materials and miscellaneous stores.

3. The Army policy is to obtain the best possible value for the money at their disposal and orders are placed in the various Branch Departments, the Chief Mining Engineer, Railway Board, the Ordnance Board, the Mathematical Instrument Office, etc., as and when required, bearing in mind the policy of peace are merely leaving to the various Branches and Departments in greater volume of

*This is a provisional note. I am not responsible for any changes within the time available owing to the course of the tour.

4. As regards medical stores, in the absence of a Drugs Act in India, it is considered that it would be injudicious to transfer an experienced well-equipped purchasing agency from the direction of the Director General, Indian Medical Service, to the administration of the Indian Stores Department, although it is contemplated that eventually, when conditions are more suitable, the provision of medical stores might well come within the scope of the Indian Stores Department.

APPENDIX XX.

Report of the Sub-committee of the Public Accounts Committee.

We were primarily appointed to investigate such of the cases referred to in the Annexure to the Report of the Accountant General, Railways, as have not been investigated in detail by the full Committee, and after dealing with these cases to investigate any other cases arising out of the Appropriation Accounts of the Railways in India which the main Committee have not been able to examine in detail. The main Committee also desired that we should endeavour to ascertain what lessons can be learnt from the special cases which we are to examine and in particular should consider the bearing of such lessons on recommendations on the points mentioned in the list below which the main Committee may make with a view to preventing in the future the sort of financial irregularities which have occurred in the cases referred to :—

- (1) increasing the Government Examiner's staff and the extension of the scope of the Government Examiner's audit ;
- (2) altering the status of the companies' auditors, to see whether it is possible to get them to co-operate with the examining staff more than they do at present ;
- (3) whether efficiency has suffered from a tendency to differentiate between officers and subordinate staff as regards disciplinary action ;
- (4) the control by the Railway Board over company-managed railways ; and
- (5) the procedure followed in the framing of estimates for new capital projects and control over expenditure after their sanction.

2. We have accordingly investigated all the cases mentioned in the Annexure to the Report of the Accountant General, Railways, and have also examined all the points mentioned in that Report which were not dealt with in detail by the main Committee. We held three meetings and the detailed proceedings of the meetings are attached to this Report. Our comments on individual cases investigated by us are contained in the proceedings of the meetings and we have not considered it necessary to repeat them in the body of our Report. The Auditor General and the Director of Railway Audit were present at all the meetings and were of great help to us in our investigations.

3. In view of the serious irregularities which have been brought to our notice and in view of the opinion of the Auditor General that he is not at all satisfied with the present scale of audit on company lines, we consider that the system of audit on company lines should be strengthened, the actual details being settled by the Government of India in consultation with the Auditor General. We are very strongly of opinion that the decision on the question should be expedited.

4. The report of the Accountant General discloses a very serious and chaotic state of affairs regarding the stores accounts on the East Indian Railway and we consider that very stern action is necessary in order to set it right. We understand that the Controller of Railway Accounts has already taken the matter in hand and we desire that a special report on the situation should be placed before the Public Accounts Committee next year.

The state of affairs which was discovered when this Railway was taken over by Government is, we think, one of the strongest arguments in favour of the extension of the system of audit on company lines.

5. We find that in a number of cases the explanations given to us by the Railway Administration are entirely different from the facts mentioned in the Accountant General's report. This may be due either to a lack of co-operation between the Government Examiner and the Company's Auditor or other causes. The existence of such discrepancies makes it extremely difficult for the Committee to exercise its function of conducting an impartial examination into all cases. We therefore suggest that the question should be carefully investigated by the Auditor General in consultation with the Railway authorities, and a report submitted to the Public Accounts Committee next year.

We are informed that the Chief Auditors on Company lines do not at present report to the Railway Board all serious irregularities detected by them and that the Railway Board is now trying to change the present procedure.

6. In the case of some of the irregularities brought to our notice in the Accountant General's report, we found that while sufficient disciplinary action was taken against the subordinates concerned, the senior officers were let off either scot-free or only with a censure. We think that efficiency is bound to suffer by such differentiation and the Railway Board should therefore see that proper disciplinary action is taken also against the senior officers responsible.

7. We have gone through the memorandum furnished by the Financial Commissioner, Railways, regarding the preparation of estimates and control over expenditure. We agree that the present rules are adequate and that the irregularities noticed in the Accountant General's report were due to the non-observance of those rules. The Railway Board should consider what steps should be taken to see that the rules are observed more carefully in future.

8. A very large number of irregularities brought to our notice in the report on the companies' lines leads us to believe that the financial control exercised by the Railway Board over company-managed lines is not adequate. We recognise that the control in the case of company-managed lines cannot be the same as in the case of State-managed lines but, even after making due allowance for this, we are not satisfied that the Railway Board has exercised as much financial control as it could under the existing contracts. We consider that the Railway Board should exercise a stricter financial control over the company-managed railways.

As regards the serious irregularities on the Bengal Nagpur Railway, we understand that a comprehensive letter has been addressed to the Company by the Railway Board which will be considered by the main Committee. In the circumstances, we refrain from making any comments at this stage.

K. C. NEOGY.

B. DAS.

S. C. MITRA.

ABDUL MATIN CHAUDHURY.

H. A. J. GIDNEY.*

The 16th September 1929.

* Subject to the following:—

(a) the word "facts" in para. 5 should be "these";
 (b) in para. 5 sub-para. 2 the word "certain" should be added after "on";
 (c) the last sub-paragraph should be omitted.

Evidence taken at the first meeting of the sub-committee of the Public Accounts Committee held on Monday the 26th August 1920 at 2.30 p.m.

Present.

(1) Mr. K. C. Neary

Chairman.

(2) Mr. B. D. S.

(3) Mr. S. C. Morris

(4) Kunat Gidney and Son, Esq.

(5) Meekin Andrew Martin Gidney

(6) Lieutenant-Colonel H. A. J. Gidney

(7) Sir Frederic Gauntlett, Auditor General

(8) Mr. G. K. Rau, Director of Railways Audit

(9) Mr. B. Knott, Deputy Auditor General

Members.

Were also present.

Mr. P. R. Rau, Financial Commissioner, Railways.

Mr. J. A. Town, Director of Finance, Railways. Witnesses.
Commander A. W. Wood, Deputy Controller of
Railway Accounts.

Report of the Accountant General, Railways.

1. *Mr. Rau.*—*Paragraph 4 of the Annexure.*—The chief blame lay with the Assistant Engineer who has been suitably punished by dismissal from service. It is understood the District Engineer was an officer without much experience and it was as a result of this that the irregularity was not detected earlier.

Colonel Gidney.—This is a typical case where a Subordinate has been punished and the superior officer let off. Efficiency would suffer as a result of such differentiation.

Mr. Rau.—May I point out that both were officers in this case?

Sir Frederic Gauntlett.—I suggest in connection with this case that the Committee is entitled to have the full facts of the case before it: what is the length of experience of this District Engineer?

Mr. Rau.—I agree that the District Engineer must have been a man of some experience—of at least 12 years' experience. He cannot be a very raw man. My own opinion was that in this case the District Engineer should have been censured, but nothing more.

Sir Frederic Gauntlett.—I still desire to emphasise my point: if the Railway Board come forward to excuse a particular officer, this Committee is entitled to know the facts on which that excuse is based.

Mr. Rau.—This is the explanation of the Agent, not of the Railway Board.

Sir Frederic Gauntlett.—I am still trying to hammer home what I regard as the proper procedure in these cases. The Financial Commissioner is definitely responsible to us for everything that takes place. If he puts forward an excuse we expect to know from him the facts on which that excuse is based : he has accepted it as his own and we must know what the facts are on which it is based.

Mr. Rau.—The explanation is in the Appropriation Account. That is the explanation given to me by the Administration. My view is that the district engineer being a man of sufficient experience ought to have been reprimanded but I do not think such serious action as was taken in the case of the Assistant Engineer was called for.

Colonel Gidney.—I agree.

Mr. Das.—But you would not suggest to the Railway Administration to take this disciplinary action ?

Mr. Rau.—In the case of these company lines it is very difficult for us to insist that a particular person should be censured.

Sir Frederic Gauntlett.—However, it would be possible for this Committee to say that in its opinion some comment should have been made upon the action of the District Engineer, and it would be for the Railway Board to see again whether it should forward it to the company with any comments of its own, as also the desirability of having information on this point.

Mr. Rau.—That is our own opinion I think I can commit the Railway Board to that extent in this case.

Sir Frederic Gauntlett.—Surely you appreciate the fact that if there is an excuse put forward, the Committee is entitled to know the facts ?

Mr. Rau.—Yes.

2. *Chairman.*—Paragraph 5, *ibid.*—What is the explanation in regard to this ?

Mr. Rau.—On examining the earlier contract I found that the railway had no option to buy more than the stipulated quantity, though under the present contract they could do so. I was also given to understand that there was no accommodation in the godowns for the storage of the extra quantity if purchased earlier. As regards (b) The Railway administration admit that technically a mistake was made but they explain that they thought they were bound by the agreement : in my opinion this is an error of judgment.

As regards (c), it has been explained that the cotton waste contracted for at the higher rate in 1924-25 was of a superior quality and this superior quality was considered essential by the carriage and wagon Department.

3. *Colonel Gidney.*—This hardly refers to the period under review, 1927-28 !

Sir Frederic Gauntlett.—I could hardly accept that view generally, because what is brought out here is the result of a scrutiny which took place in 1927-28. In fact most of our important irregularities are discovered in local inspections and if the local inspection were confined merely to the transactions of the year itself, it would lose almost all its value. It has been the practice to bring into these reports the results of local inspections during the year under report, even

though the transaction might have occurred in a previous year. It would diminish the value of our work more than 50 per cent. if we departed from that principle. However, I quite agree that these are so far back that it is hardly worth while to go into them in great detail, but I should not like to accept that view as a general principle. If the statement says that the quality of the waste was quite definitely superior, it is very difficult for this Committee to challenge it.

4. *Mr. Das.*—You are now re-organising your stores department on the E. I. Railway and have gained some experience: how are you going to apply that experience in the purchase of stores in Company-managed railways?

Mr. Rau.—If there are any particular points in which we have improved on the previous system, we would certainly bring it to the notice of all the railways so that they could benefit by our experience.

Mr. Das.—Will they accept your experience?

Mr. Rau.—If it is good for them, I don't see why they should be so perverse as not to accept it.

Mr. Das.—Is there anything in the contract to force them to accept such principles?

Mr. Rau.—It is in the interests of the company itself to have an economic management.

Sir Frederic Gauntlett.—I suppose, Mr. Rau, you could hardly take the explanation beyond the point to which Sir Austen Hadow took it on Friday afternoon when he explained the degree of pressure that you could bring to bear on the companies: he said that in his opinion he could bring considerable pressure to bear, but that in his discretion he would be reluctant to do so in every individual case.

Mr. Rau.—Yes; I would say that many things are possible but not all are expedient.

5. *Chairman.*—Is it your point that if a more economic method of purchase is suggested to Company-managed railways they would always agree to it?

Mr. Rau.—They ought to; as a matter of fact I think they have joined us in connection with purchases through the Indian Stores Department to a certain extent.

6. *Colonel Gidney.*—Does the Indian Stores Department supply cotton waste?

Mr. Rau.—We have agreed to take cotton waste through them, but I understand there are some difficulties about getting a proper specification. No orders have been put through yet.

7. *Mr. Rau (Paragraph 7, ibid).*—(i) It is understood that there was a vacancy of a specialist in the brickfield which was kept unfilled according to the Agent's instructions but Mr. B. was asked to look after it in addition to his own duties as he was familiar with the development part of the work having been in charge of it before.

(ii) The mistake is admitted by the Administration.

(iii) Apparently this was done because there were funds available under the development scheme but not under the Kharagpur yard.

The Railway Board consider that while it may be necessary, as pointed out by the Agent owing to the exigencies of service, to post officers temporarily to special works unconnected with the posts held by them, it is essential to see that the arrangements resulting did not involve any misrepresentation of facts in the accounts. Moreover, the fact that funds are available under one head of account is no justification for expenditure relating to another to be booked under that head. The Agent suggested that when an officer is employed on more than one duty it would be reasonable to charge portion of the officer's pay to the different works on which he was engaged. This, however, should not be carried too far nor should it conflict with the provisions of the contract which does not admit of the pay of permanent officers of the Railway being charged to capital when they are supervising the construction of works which are charged to capital. As a matter of fact, I may mention that the Government Examiner told me that ordinarily in all these cases of allocation, the B.-N. Railway give the benefit of the doubt to themselves. I have asked him specially to bring to the notice of the Railway Board cases in which he considers that such a procedure is being adopted.

Sir Frederic Gauntlett.—Will these remarks be communicated to the administration?

Mr. Rau.—Yes.

8. *Mr. Mitra.*—If there are more Government Examiners, do you think there is a greater chance of such cases coming to light?

Mr. Rau.—I think a little increase in the staff of the Government Examiners might produce beneficial results, because all these revelations are the result of the increasing activities of Audit.

9. *Mr. Mitra.*—Can you suggest any means by which these things could be detected more easily and in time?

Mr. Rau.—We were thinking over the question whether we could not give a direction to the Agent that in cases where his Chief Auditor definitely disagrees with his view, the Agent should communicate with us, but the question is to what extent we are permitted by the contract to insist on such an arrangement.

10. *Sir Frederic Gauntlett.*—Had the Agent taken any steps whatever to bring to the notice of the Railway Board any of the cases referred to in these paragraphs before they came to your notice?

Mr. Rau.—Some of these did come to our notice; for instance, the purchase of the house in Nagpur.

11. *Colonel Gidney.*—In a case like this where irregularities have been brought to light and where the officers concerned are entirely under the Directors of the Board in England, what action can the Railway Board take here?

Mr. Rau.—We can bring pressure to bear on them, as Sir Austin Hulme explained to the Committee the other day.

12. *Mr. Das.*—I would like to ask a general question. Is there any difference between a company-managed Railway and a company-owned Railway?

Mr. Rau.—Of course so; we have hardly anything to do with the latter.

13. *Mr. Mitra.*—These cases show that one cannot rely on the accounts. You cannot apply the same scrutiny in the case of subordinates as it has been possible to do for the Government Examiner to apply in the case of officers?

Mr. Rau.—There is nothing that we can do but express our displeasure with the Agent and tell him what steps he should take in future.

Sir Frederic Gauntlett.—What I suggest the Committee should emphasise is the fact that when superior officers deliberately pass orders of this nature, they must do so at their own peril?

Mr. Rau.—I think it is very likely that there was a sort of misunderstanding that when funds were available in one project, the estimate as a whole being not exceeded, a man could be employed in another part of the total estimate. I think the Chief Engineer now understands that that action is quite wrong, and I hope he won't do it again.

Mr. Kaula.—It is impossible always for the audit to discover such things, and therefore I think it is all the more necessary that some means should be devised for securing more accurate facts, because it is only when you look at certain correspondence you discover such things. In the ordinary course you cannot discover such irregularities of this type even if you strengthened the audit by 50%.

14. *Mr. Mitra.*—What means would you suggest?

Mr. Kaula.—Sterner measures should be adopted.

15. *Sir Frederic Gauntlett.*—I think this Committee might say something on the lines of what Mr. Kaula has just said. I believe that Mr. Rau will be only too glad to welcome any support this Committee can give him in approaching the Railway Co. He can then pass on these comments, which are the comments of an outside independent authority, and say that the Railway Board agrees with them. I believe it would strengthen Mr. Rau's hands.

Mr. Rau.—The difficulty with regard to disciplinary action is accentuated when the facts are brought to light very late.

Mr. Mitra.—Apart from the question of disciplinary action we should state clearly that we find a deplorable state of affairs. The Audit have only accidentally discovered some of these cases in which the officers are concerned, but we do not know how many more remain undetected?

Mr. Rau.—Though these have been discovered accidentally, you cannot infer from that that the rest of it is all the same.

Chairman.—I take it that the Railway Board is going to take up these cases very strongly with the Agent?

Mr. Rau.—Yes.

16. *Mr. Rau (paragraphs 8 and 10, ibid).*—On the charge of dilatoriness the Administration has assured the Railway Board that although some tentative offers had been made from time to time for these buildings no definite

offer had been received till 1928 when for the first time a firm offer of Rs. 30,000 was received. This was considered too low and it was finally decided to auction the building. It was sold in February 1929 for Rs. 47,700. Half the original building is still used for railway purposes, only the other half having been sold by auction.

It was the intention originally that the building should be converted into godowns to be leased to merchants to store merchandise for despatch by rail. Later the G. I. P. Railway asked that the building should be handed over to them to be used as an Indian Institute for their employés. The B. N. Railway did not like this arrangement as it had been vacated as situated in a plague centre ; the G. I. P. Railway did not want it for any other purpose. The B. N. Railway then tried to hand it over to the Local Government who were prepared only to take the land free of cost. The Railway thereupon tried to find out whether it could not be used with alterations for Railway purposes and it was for this reason that pending the final decision as to its utilisation it was decided that no credit should be given to capital on this account. The allocation has since been settled in consultation with the Accountant General, Railways, and it has been decided that the difference between the cost of the new building (Rs. 68,476) and the book value of the part of the old buildings which it is proposed to sell by auction should be debited to capital and the balance to revenue, which would receive the credit of the sale proceeds of the old buildings.

Chairman.—In this case it seems the Agent himself is involved ?

Mr. Rau.—There is really no loss involved in this case. The building has been sold and the matter has been set right.

17. *Mr. Mitra.*—Why was no mention made by the Agent about it in his Completion Report ?

Mr. Rau.—He thought that since they were to be made use of, there was no object in condemning the buildings. The first thought that since it was in a plague infected area it was no use at all. The G. I. P. Railway people wanted to use it. Obviously the building could not be given to them without informing them that it was abandoned because it was in a plague infected area.

18. *Chairman.*—I suppose you have a definite set of rules for staff quarters ?

Mr. Rau.—They are supposed to bring in a net return of 4 per cent. These are not cases of staff quarters but office buildings.

19. *Mr. Rau.*—*Paragraph 15 ibid.*—Purchase of materials in advance or in excess of requirements. This is again a case in which I cannot defend the Railway. Both were admittedly due to mistakes in indenting. The Railway Administration state that precautions have been taken to ensure against the recurrence of such mistakes in future. So far as (a) goes, hose pipes were included in the general indent for pneumatic equipment required for the wagon shop, but they were delivered in India as might have been expected, if the person indenting had thought of it, 18 months prior to the receipt and erection of the machines which had to be manufactured. The pipes were probably inferior in quality but as they had been in stock for 18 months it was impossible to make a claim against the manufacturers. We have

not suggested that any action should be taken, because there are not a number of such cases, but if there are, then the Accountant General will bring that to our notice.

20. *Mr. Rau.*—*Paragraph 16 ibid.*—The Agent has reported that instructions have been issued that the practice of keeping reserve stores in the workshops should be immediately discontinued and materials should only be indented for from the Stores Department for works in hand, such requisitions being scrutinised by a responsible authority. Any material left over after completion of a work must be immediately returned to the Stores Department, or, if required for a work in hand, transferred to that work order. Instructions have also been issued that more detail is to be shown in sanctioned estimates to enable the accounts section to exercise a greater check on the booking of material. The Railway Board are satisfied that the Administration has taken adequate action to prevent such mistakes happening again. We are asking the Agent to see whether any disciplinary action at this distance of time is desirable.

21. *Mr. Das.*—Did you address any letter to the Agent, B. N. R. on the recommendations of Sir Arthur Dickinson's Report which you are practising on the E. I. R.?

Mr. Rau.—That applies only to State Railways, but I think we have sent a copy of the memorandum which we placed before the Standing Finance Committee to all Company Railways. These instructions appear to me to be practically similar to what we have issued.

22. *Sir Frederic Gauntlett.*—You will see at the bottom of page 94 a general comment “the result is that the booked expenditure does not represent the actual expenditure on the work.” I don't find that the orders specifically state that the booked expenditure must represent the actual expenditure?

Mr. Rau.—I think the orders would make it reasonably certain that the booked expenditure in the end would represent the actual expenditure on the work because whenever any material is left over it is for the Stores Department to transfer it to the work order Department.

23. *Sir Frederic Gauntlett.*—Is the material indented for one work order transferred to another work order?

Mr. Rau.—I think it is sometimes easy and convenient for material to be transferred from one work to another if it is done formally and copies of that order sent to the Accounts Department to make the adjustments.

Sir Frederic Gauntlett.—You yourself admit that if they are transferred from one work order to another those changes ought to be done in a formal way and communicated to Accounts. I do not find that orders have been issued to that effect?

Mr. Rau.—I shall make it quite clear in the orders that the booked expenditure should represent the actual expenditure.

24. *Mr. Rau.*—*Paragraph 17 ibid.*—The Superintendent of Development and the District Engineer have both left the Railway service.

It has been explained that the reduction of estimates from Rs. 56,000 to Rs. 21,000 by the Chief Engineer was due to the fact that there was in existence another sanctioned estimate in which provision had been made for permanent way laid in these sidings. The irregularity in regard to the issue of permanent way material without crediting to the estimate for remodelling Tatanagar yard is admitted and the Agent reports that the Chief Engineer has been asked to submit a revised completion report including this and the cost of certain rails and sleepers and dogspikes issued to the estimate which were more or less unserviceable but should have been debited at reasonable scrap value. It is understood that the adjustment will be much less than Rs. 18,000 as it is estimated that the value of the sleepers, etc., was nearer Rs. 5,000. The matter is being taken up with the Administration.

25. *Mr. Das.*—The Chief Engineer is to be blamed because he is trying to make these fictitious adjustments?

Mr. Rau.—He has been told to make correct adjustments now. His idea was that these were more or less unserviceable; in any case I agree they should have been valued and debited to the work.

Colonel Gidney.—I thought the Committee would make some comment to the effect that when these people die or retire compulsorily or otherwise, the Chief Engineer should be held responsible for all such losses?

Mr. Rau.—Should you not also give credit to the Chief Engineer for the improvements that are taking place in the Railway? The Railway Board, however, are not satisfied with the explanation of the Chief Engineer and are expressing their displeasure to the Agent, and I told the Chief Engineer personally the other day what I thought of it.

26. *Mr. Rau.*—*Paragraph 18 ibid.*—This is a thing of common occurrence.

Mr. Mitra.—Will you accept it?

Mr. Rau.—I think in many cases disbursing officers very often either try to spend money if they have it in the budget or postpone payments if there is no budget provision.

So far as this particular case is concerned, the District Engineer has left the Railway. The Chief Engineer has issued a strong circular on the subject.

27. *Colonel Gidney.*—Mr. Chairman, will you allow me to compare paragraph 18 with paragraph 23 on page 100? The crime is similar; the amount involved in paragraph 18 is just over Rs. 6,000 and the amount in paragraph 23 is Rs. 3,000. One went into the pockets of the contractor and the other into the pockets of the staff, but they are both frauds in the real sense of the term. The District Engineer who was concerned with the one is left alone, but the poor assistant engineer comes in for a full dressing down by the Agent.

Sir Frederic Gantlett.—There is an essential difference between paragraph 23 and paragraph 18, where a bill is presented for work which the engineers honestly believed would eventually be carried out by the contractor. It is, of course, an extremely dangerous thing to do and ought to be punished, but you cannot call it fraud.

Chairman.—It may easily lead to abuse.

Sir Frederic Gauntlett.—Of course. We have had cases where it has led to considerable loss to Government. But in the one case it is a deliberate fraud and in the other it is running considerable danger of loss to Government. No judicial court would ever call it fraud, and if I may say so I think Mr. Kaula exercised a very wise discretion in not including it.

Mr. Rau.—(a) It is understood that the original estimate sanctioned by the Railway Board was prepared from an incorrect plan of the yard in which certain lines that had been dismantled were shown as existing. This was discovered when the work was about to be started. The fact was reported to the District Engineer, and the Superintendent of Development prepared a revised estimate based on the existing layout of the yard. As the revised estimate showed a saving as compared with the original estimate the Superintendent considered it unnecessary to forward an estimate for formal sanction. This is of course incorrect but the Superintendent who dealt with the case having left the Railway long ago no disciplinary action can be taken. I have impressed on the Agent the impropriety of having two estimates, one for audit and one for engineering purposes, and asked him to see that steps are taken to stop this practice of working to an unauthorised estimate for engineering purposes wherever it existed.

29. *Sir Frederic Gauntlett.*—What is the view of the Railway Board in a case like this where the work is carried out on a plan which is entirely different from the plan which was accepted by the Railway Board.

Mr. Rau.—Of course, it is certainly wrong. I have impressed on the Agent the impropriety of having two estimates and asked him to make sure that steps are taken to stop this practice.

30. *Chairman.*—When was the mistake in the original plan discovered ?

Mr. Rau.—When they started work.

31. *Chairman.*—Was it reported to the Railway Board then and there ?

Mr. Rau.—No. Apparently the District Engineer thought that as the revised estimate was for a smaller figure a fresh sanction was not necessary. It is quite wrong, of course.

Chairman.—But the whole basis of the estimate was wrong.

32. *Mr. Das.*—Mr. Chairman, I have two serious charges against the Chief Engineer of the B. N. Railway. One is, he spent more money on the capital side, thereby showing more surplus profits. The second and more serious charge is that they were asked to relay the lines with 90 lbs. rail and they relayed with 75 lbs. (second hand) rails.

Chairman.—That is in the second paragraph. We will confine ourselves to the first case.

Mr. Das.—Well, in the first case I think disciplinary action ought to have been taken by the Railway Board against the Chief Engineer for increasing the capital cost.

Mr. Rau.—He could not increase the capital cost. The allocation would be for the audit people to decide.

Mr. Das.—But didn't the B. N. R. derive more surplus profit that year on account of the revenue charge being smaller?

Sir Frederic Gauntlett.—I think the answer to Mr. Das is that the surplus profits can never be affected by the estimates. The surplus profits can only be affected by the final booked expenditure. And while it is perfectly true that the booked expenditure may not during the course of the booking be finally correct, yet when the work is completed the booked expenditure will show accurately the amount under capital and revenue. I believe during the booking of expenditure on a mixed work like this the apportionment between Capital and revenue is done approximately according to the proportions in the estimates. But it is always settled finally on the completion of the work.

33. *Chairman.*—Now, let us come to (b).

Mr. Rau.—As regards (b) the Agent recognised the need for obtaining the Railway Board's approval to the change in the weight of rails and regretted that it had been overlooked. The completion report will be submitted to the Railway Board in due course.

34. *Mr. Das.*—In this case they did not relay with 90 lb. rails. What action was taken by the Railway Board?

Mr. Rau.—I have not seen the completion report. That there were reasons for the action I have no doubt. Without knowing the reasons of the Agent for passing the estimates I cannot pass judgment.

35. *Mr. Das.*—Might it not have given more surplus profits—because part of it will be met from the depreciation fund?

Mr. Rau.—But otherwise it would be capital. Relaying them with these 75 lb. rails would not affect the surplus profits in any way.

36. *Sir Frederic Gauntlett.*—There is another point I would ask in respect of 19 (b). The estimate was drawn up in March 1924. The total amount involved is under two lakhs and the completion report is still being submitted to the Railway Board. Ought it to take five years for a small work like that?

Mr. Rau.—I do not know really when it was completed.

Sir Frederic Gauntlett.—Well, that raises a very important point. I was assuming that a completion report would come to you in every case.

Mr. Rau.—I think a completion report was necessary in this case only because of the material modifications. Of course we would not have known that there was a material modification if they had not sent their completion report.

37. *Mr. Kaula.*—Is there any guarantee that the fact of the modification would be mentioned in the completion report?

Mr. Rau.—Otherwise they would not have sent it to us. There is no necessity for a completion report but for this material modification, I take it. I have not seen the report myself. It is difficult to state exactly what is a material modification.

38. *Chairman*.—Does it depend on the financial effect of the modification?

Mr. Rau.—Partly. When they say 90 lb. rail and use 75 lb. rail, or when we sanction a line for a 100 miles, and the alignment is actually 103 miles, say that would be a material modification.

Mr. Mitra.—Who is to judge?—the Railway Board or the Agent?

Mr. Rau.—It is for the Railway Board. But if it is not brought to the notice of the Railway Board, they will never know.

Chairman.—Unless the Agent thinks it a material modification he would not refer it to you.

Mr. Rau.—But usually they do send up all cases where there are any modifications. They ask us when there is any doubt.

Sir Frederic Gauntlett.—We would then come back. Mr. Chairman, to the question of audit. When these completion reports come to audit it would be the duty of the Government Examiner to scrutinise it to see if there was a material modification. And if there was, he would require it to be submitted to the Railway Board. But it is quite true, as Mr. Kaula has repeatedly said, what we can check at present is only a small fraction in most kinds of work. As I say, our check of allocations is fairly complete.

Chairman.—Even with your limited staff?

Mr. Rau.—The limited staff is supposed to check completely cases in which the interests of Government are divergent from the interests of the company.

39. *Chairman*.—That is the only point to which they direct their attention at present? But why should it be for the Government Examiner to bring to the notice of the Railway Board any material modification?

Sir Frederic Gauntlett.—Well, the point is this, Mr. Chairman. It is much more difficult for a mere audit officer to say whether a particular modification is material except from the point of view of the financial effect but I should still regard it as a duty to determine whether the modification is material, apart from the financial effect.

As a matter of fact, I must slightly modify that statement because the same question has arisen in regard to the irrigation rules. And I remember Mr. O'Brien from the Lloyd Barrage pointing out the extreme difficulty that he has felt in determining whether a change in the plan of the canals was a material modification or not, and the whole matter went back to the Secretary of State and I believe I am correct in stating that the Secretary of State has agreed that the determination of a material modification is not part of the auditor's duties. But I shall have to look at this decision again in its bearing upon cases like this and I might have to modify the general views I have expressed.

40. *Mr. Neogy*.—Let us come to 20.—The splitting up of an estimate.

Mr. Rau.—The Agent explains that separate estimates were prepared with the object of facilitating the handling of the accounts. He has been informed that the Railway Board agree with the Accountant General, Railways, that following the usual practice all these estimates should have formed parts of one estimate.

I was going to add that it is not quite clear how the Government Examiner accepted this as a separate estimate. But I do not wish to pick a quarrel with Mr. Kaula on this point—I have got better cases.

41. *Mr. Das.*—Mr. Rau, may I ask if you get all your information from the Government Examiner?

Mr. Rau.—When the Government Examiner makes his report.

Mr. Das.—You have no direct information from the Agent when he changes his estimates.

Mr. Rau.—Well, he ought to have brought it to our notice. He is most to blame. And he recognises it.

42. *Chairman.*—Now, let us go on to 21.—Fitting lights and fans in bungalows without provision for current.

Mr. Rau.—The total cost of the work is stated to be Rs. 7,500 and the annual loss is therefore less than Rs. 400. The Agent's contention was that they were not to be blamed in this matter as it was due to the fact that the arrangement which had been arrived at with the Tata Iron and Steel Co. was repudiated by the latter at a later stage. I told him that the administration should not have undertaken the work without coming to a definite understanding expressed in the form of a legal contract with the Tata Iron and Steel Co. concerning electric supply. But I think this is only an error of judgment. I could not go further than that. With a commercial concern you ought always to have legal and binding documents.

43. *Chairman.*—Now, paragraph 22—Overpayment on local purchase on electric plant.

Mr. Rau.—All the amounts overpaid have been recovered. The staff concerned has been warned and the Agent reports that steps have been taken to prevent a recurrence of similar irregularities in future.

44. *Chairman.*—Now we come to paragraph 24—Payments in excess of the terms of agreement—East Indian Railway.

Mr. Rau.—This is a case of a mistake having occurred owing to the mechanical department dealing with an engineering work. I understand the Chief Engineer finally made the best bargain he could with the company and instructions have been issued to guard against a repetition of this procedure. No disciplinary action was taken as the Deputy Chief Mechanical Engineer held responsible for the irregularity had left the service. This is not a B. N. Railway case.

45. *Chairman.*—Paragraph 25.

Mr. Rau.—The E. I. Railway workshops were not able to meet all demands for rolling stock components in 1927-28 and serious delays occurred in supplying outstation demands. Local purchase of certain articles was therefore necessary and the savings that the Accountant General considers might have been realised seem to be illusory.

46. *Colonel Gidney.*—This involves a very serious departure. It is well known they have these shops for a specific purpose.

Mr. Rau.—Yes, but the workshops were full up with orders for rolling stock components in that year and I understand that serious delay occurred in supplying these demands and so local purchase was inevitable.

47. *Colonel Gidney.*—Here is a transaction in which two officers are implicated—the Chief Controller of Stores and the Chief Mechanical Engineer and they purchase at a price in the local market and bring in a loss to the railway of Rs. 28,000.

Mr. Rau.—If they could not make it themselves that is not a loss. There is nothing to show that the purchases were made higher than the ordinary market prices ; at least I cannot find anything in that direction. If you cannot produce it in the workshop you will have to buy it in the market. Our Director of Mechanical Engineering says if there is a large difference in prices under certain items it can be safely assumed that the difference in prices was due to imperfect allocation of charges on manufactured articles.

Mr. Kaula.—Are you pursuing that point regarding allocation ?

Mr. Rau.—As regards allocation of charges, I think I shall, because it is essential that we ought to know definitely whether our manufacturing business is an economical proposition or not. If there is such a large difference, it is very likely that the workshop rate of nine pies is wrong. However I will take up the matter.

48. *Chairman.*—Paragraph 26.

Mr. Rau.—The Chief Accounts Officer states that though the rate continued to be the same since 1923-24, the statements for 1926-27 and 1927-28 compiled by the Accounts Department show that there has been a clear profit to the railway. He presumes, therefore, that the figures of loss for the years 1923-24 to 1925-26 which have been taken by the Chief Auditor from the annual reports of the Electrical Department which were not prepared correctly from accounts documents may not be correct. I think this is a question which might be left for discussion between the Chief Auditor and the Chief Accounts Officer. I do not know if Mr. Kaula has received any further remarks on this point.

Mr. Kaula.—I have received no further report.

49. *Mr. Mitra.*—Is there not any other method by which we can consider these cases with better results, because you find the officer appearing before us giving an explanation which is different from that in the Report and there is nothing by which we can find out which version is correct.

Sir Frederic Gauntlett.—I have to-day sent a memorandum to Mr. Kaula pursuing the suggestion that was made here by Mr. Rau a few days ago, that he and the Controller of Railway Accounts should see whether it is not possible to get an agreed statement of the cases which will appear in our appropriation reports. I have also made another suggestion to the effect that as soon as a case is ready for inclusion in the appropriation report the Director of Railway Audit should get a statement of the case—as I have said an attempt should be made to get an agreed statement—and the draft report should be sent to the Auditor General for his acceptance and scrutiny and once it has been finally accepted by the Auditor General it should be forwarded at once to the Railways.

Board so that they would know immediately what cases are likely to be taken up. That is the practice in the Army and I think it is desirable that it should be introduced on the Railway side also.

Mr. Rau.—We should welcome it very much.

50. *Chairman.*—Let us now take the Auditor General's letter. Paragraph 7 of the letter.

Mr. Rau.—Except under the first three grants, to which I shall return later, I do not think the savings mentioned in these paragraphs deserve any serious notice. The saving under 'Appropriation to Depreciation Fund', voted, is only 1 %; that under No. '11-Miscellaneous' is almost entirely accounted for by the change in the procedure described in paragraph 50 of the report. The expenditure under '12-Appropriation to Reserve Funds' is merely a balancing entry showing the results of the working of railways for the year and can hardly be called a saving. Under non-voted appropriations I think the Auditor General will agree with me that the savings under non-voted expenditure under grants 4, 7 and 15 may be neglected as the expenditure should be taken as a whole, voted and non-voted together, because the question whether a particular officer will be debited wholly or partly to 'Administration' or 'New Construction' or 'Strategic Lines', is merely a matter of chance, as in the course of the year transfers according to the exigencies of the public service have often to take place. Finally as regards the expenditure under the head 'Discharge of Debentures', the saving is not a real saving at all. The budget figure shows the total amount of debentures which fell due for payment during the year irrespective of the possibilities of some of them being renewed, and the amount of debentures estimated as likely to be renewed was taken in the year on the receipt side. The amounts provided in the budget were as follows:—

	Rs.
Debentures discharged by renewal	2,58,92
Not renewed	72,91
Total	3,31,86

The expenditure shown in the appropriation account relates only to the debentures actually discharged and not renewed so that the figure of 66.78 is really comparable with the figure of 72.91 in the budget.

The question whether in the budget we ought not to show only debentures actually discharged and neglect debentures which are likely to be renewed during the year is cancelled by receipts on the other side is at present under consideration.

Coming now to grants Nos. 1, 2 and 3 where there are savings both under voted and non-voted, it must be admitted that the budgeting could have been closer. The explanations for the savings that have been given under the various grants show that they were partly due to circumstances which could not have been foreseen, but partly to excess provision under leave salary which was based on anticipations regarding the intentions of officers with regard to leave.

In the current year's budget these provisions have been cut down to a considerable extent because it has been found by experience that not all of those who proclaim their intention of going on leave do actually go on leave or if they do for as long a time as they originally intended.

51. *Mr. Das.*—I have got a question on paragraph 7 of the report. I wish to know why there is such a large excess on non-voted items. On the voted side I am satisfied, but on the non-voted side there is an excess of 23, 27 and 31 per cent. That shows that sufficient control is not exercised.

Mr. Rau.—As a matter of fact, as I have already told you, with regard to 5, 8 and 14 we ought to take the non-voted and voted together because the non-voted merely represents officers who are transferred to strategic lines from open line works or sometimes charged to working expenses. As regards 11 there was a particular reason for it because we could not get a proper estimate of pensionary charges.

52. *Mr. Das*.—What I should like to have is a safeguard that you do not increase your expenditure on the total non-voted head unnecessarily.

Mr. Rau.—The allocation as between the voted and non-voted is entirely beyond our control.

53. *Chairman*.—Paragraph 10 (b) of the Auditor General's letter.

Mr. Rau.—With regard to the question of budgeting, I submit that with only one year's result to go on, the Accountant General's remark that there has been no appreciable improvement after the separation of accounts on the East Indian Railway is, to say the least of it, premature. He admits that there has been improvement under grants 8 and 11. In grant No. 5, the saving is really not more than 12 lakhs, which is about $1\frac{1}{2}$ % of the grant. About $5\frac{1}{2}$ lakhs is accounted for by the inclusion, by a misunderstanding, of "Remissions of Earnings" under the grant but not under "Expenditure" (*vide* page 174 and remarks on that page and paragraph 70 of Report). The explanation of the savings under grants 7, 8 and 10 is to be found in our system of over-allotment.

54. Chairman.—Paragraph 10 (c) of the Auditor General's letter.

Sir Frederic Gauntlett.—What I am suggesting is that the Committee should endorse what I have said there.

55. *Mr. Das.*—I should like to know from Mr. Rau whether there is a clearing accounts office for the B. N. R.?

Mr. Rau.—There is a clearing accounts office for the southern railways in Madras. The B. N. R. might join the southern railways. I do not think it has as yet expressed any desire to have a clearing accounts office.

Mr. Das.—Are you trying to put pressure on ~~them~~?

Mr. Rau.—This is not a case where you can not ~~rely~~ ~~rely~~ on them.

56. *Chairman*.—Paragraph 18 of the ~~Report~~

Mr. Rau.—The question of transfer has been unfortunately so long pending for several reasons, the most important of which is the difficulty trying to provide accommodation for the staff that will be transferred from Calcutta in connection with this work.

As matters stand at present the revised process is in progress on the N. W. Railway. On the E. I. Railway no use has so far been made of machines on the work in question, but the change over from the Received basis of accounting to the Forwarded basis, which is the initial step in the process, has been started.

Mr. Mitra.—What is the price of an ordinary accounting machine?

Mr. Rau.—We do not buy it. The manufacturers do not sell it. It is better to hire them. When they get out of date we can ask the manufacturers to supply us with new machines.

57. *Mr. Mitra.*—Are you in a position to say that these machines give accurate results generally?

Mr. Rau.—Yes, generally.

58. *Maulvi Abdul Matin Chaudhury.*—Do you know that the Chief Accounts Officer of the North Western Railway is not satisfied with the working of the North Western Railway?

Mr. Rau.—He has not reported it to me.

59. *Chairman.*—Is Mr. Scott the only expert you possess?

Mr. Rau.—There is Mr. Deane, the Director of the Clearing Accounts Office.

Sir Frederic Gauntlett.—Mr. Scott was assisted by Mr. Varma for many years. I should like to say that the Government has been fortunate in having an extraordinarily capable officer of the type of Mr. Scott. I am sure that if Mr. Scott wanted to give up government service he would surely get £5,000 a year outside. What he has done in the way of introducing these machines and introducing new methods is perfectly invaluable.

60. *Chairman.*—Paragraph 21 of the Report:

Mr. Rau.—The Chief Accounts Officer, East Indian Railway, has recently submitted a further report on the subject. I understand the system of having payments to station staff witnessed occasionally by the Accountant or senior clerks of the Divisional Accounts Office accompanied by Finger Print Inspectors has been extended to other divisions and that as a result of these systematic occasional check irregularities noticed are decreasing. He is satisfied with the results of the system and has decided to continue the test check as part of the regular procedure.

61. *Chairman.*—Paragraph 38 of the Report.—Motor competition.

Mr. Rau.—The question of road motor competition is being carefully watched by the different railway administrations and by the Railway Board.

The North Western Railway to which special reference is made in the appropriation report did suffer considerably from motor bus competition on sections where metalled roads run parallel to the railway, and the number of passengers carried during the year fell by 900,000 as compared with the previous year. But they have paid special attention to the question of augmenting passenger train services; they have put on 52 additional passenger trains and 48 short-distance shuttle services, and improved the timings of trains. Since the close of the year 1927-28 they have introduced weekend tickets for all classes at a fare and a half for distances up to 30 miles; a fare and one-third for

distances from 31 to 45 miles and a fare and a quarter for distances over 45 miles. The effect of these tickets in bringing back to the railway the traffic which had been diverted to the road is being watched.

The various ways in which motor competition is being combated by railways may be summarised briefly as follows :—

- (a) an increase in the number of trains,
- (b) acceleration of speed in their existing train services ;
- (c) reduction of fares between specific points (it may be added, to a very limited degree),
- (d) running of Sentinel coaches on sections where traffic is constant throughout the day, but not sufficiently large to warrant the running of ordinary trains,
- (e) opening of flag stations and, where these are not fully justified, temporary halt stations.

63. *Chairman*.—Have you considered the effect of the reduction on the rates of petrol which was effected last year on road motor competition ?

Mr. Rau.—We have had complaints in the Standing Finance Committee that the reduction was not enough.

62. *Chairman*.—Paragraphs 42 and 46 of the Report.

Mr. Rau. Paragraph 44.—The reason for the high ratio of administration charges on the Bengal Nagpur Railway is probably due to the fact that the average charge per ton per mile for goods traffic, receipts from which represent nearly 70 % of the gross earnings of the Railway, is particularly low on this line. It is 4.27 pies as compared with the B. B. and C. I. 8.03, the Eastern Bengal 8.64, and the N. W. 6.34. The East Indian Railway with 4.01 pies was the only Railway with a lower average charge, but the gross earnings of the line are more than double the gross earnings of the Bengal Nagpur Railway. I would invite the attention of the Public Accounts Committee to the fact that the general administration charges of the Bengal Nagpur Railway were lower in 1927-28 than in 1926-27 and the ratio to the total working expenses (including depreciation) is just over 20%, which is on the whole lower than the ratio on the majority of the other lines.

Paragraph 46.—If we take the appropriation to the Depreciation Fund into account, there was an actual decrease in working expenses on the B. B. and C. I. (3 lakhs), E. I. (172) and G. I. P. (49 lakhs).

There was a decrease in working expenses per train mile on all railways except the B. B. and C. I. which remained stationary.

**Evidence taken at the second meeting of the sub-committee
of the Public Accounts Committee held on Tuesday, the
27th August 1929 at 11 a.m.**

PRESENT :

(1) Mr. K. C. NEOGY.	Chairman.
(2) Mr. B. DAS.	Members.
(3) Mr. S. C. MITRA.	
(4) Maulvi ABDUL MATIN CHAUDHURY.	
(5) Lieutenant-Colonel H. A. J. GIDNEY.	
(6) Sir FREDERIC GAUNTLETT, Auditor General.	Were also present.
(7) Mr. G. KAULA, Director of Railway Audit.	
(8) Mr. B. NEHRU, Deputy Auditor General.	

Mr. P. R. RAU, Financial Commissioner, Railways. }
Mr. J. A. TOWER, Director of Finance, Railways. } *Witnesses.*

62. Chairman.—Paragraphs 56. and 57. of the Report.

Mr. Rau.—In a large number of cases the excesses are accounted for by changes in classification in the course of the year. In the year 1927-28, for example, out of the total difference of 5,43 under ' Agency ' 4,35 was due to changes in classification. On the North Western Railway there was a change in the method of allocating the pay and allowances of headquarter staff to the various sub-heads which accounted for 2 lakhs and another lakh and a half was due to the pay and allowances of certain officers having been provided for under non-voted instead of voted. Under Telegraph and Police again the main savings are under the North Western Railway and are due to provision for expenditure correctly chargeable to Demand No. 14 having been, according to the procedure then in force, made under Demand No. 4.

63. Mr. Das.—Appropriations should be made as between the State lines on the one hand and Company lines on the other.

Sir Frederic Gauntlett.—You are asking that each grant should be split up into 10 or 12 sub-grants. In that case, instead of having 15 grants, you will have 150 grants.

Chairman.—The idea is to put State lines into one group and Company lines into another group.

Mr. Das.—The present arrangement gives the Company-managed railways a loophole to get more money.

Mr. Rau.—It is not a question of giving more money to the Company-managed lines, but it is a question of keeping the railways running. Would you like the B. N. R. to stop running in March ? I do not think that the B. N. R. has been particularly bad in the matter of estimating their budgets.

In fact, if you will look at page 105 of the Appropriation Accounts you will find that there has been an excess under two heads and savings under all the other heads.

Chairman.—After all, these Company lines also belong to the State and they are run in the interests of the people. So long as the Railway Board exercises its control over the Company lines you ought to be satisfied. It is not possible to have watertight compartments in this matter.

63. *Chairman.*—Paragraph 58 of the Report.

Mr. Rau.—The estimates are of course the estimates of the Railway Board, but they are naturally based on the estimates supplied by individual railways and I agree with the Auditor General that in adapting their estimates for our purposes the idiosyncrasies of the railway administrations and their general tendency to over or under estimate should not be lost sight of. It is worth noting, however, that except in the case of the South Indian Railway and the Tirhoot Railway in 1927-28, the differences are diminishing. The explanations for differences in these cases are given in the Appropriation Accounts. Broadly speaking, a great part of the difference is due to unanticipated occurrences. On the South Indian Railway the saving is stated to be due to non-entertainment of additional staff provided in the budget owing to the postponement of opening new lines and to the scheme of re-organisation of the Agency Department having been sanctioned too late. On the Tirhoot Railway similarly no provision was made in the budget for the Agent going on leave, which apparently was unexpected, and for the post of a Deputy Agent created later. Similarly the question of domicile of certain officers not being settled no provision for Lee concessions for them was made, and so on.

64. *Chairman.*—Have all these questions regarding domicile been settled ?

Mr. Rau.—We are consulting the Public Services Commission on all these points and are taking their advice.

Chairman.—Was not any date specified by which claims should have been put in ?

Mr. Rau.—There has been a change in the Statutory rules and as a result of that all doubtful cases are being referred again to the departments for their final decision.

65. *Chairman.*—Paragraph 49 of the Report.

Mr. Rau.—Though I agree that the budgeting and the control of expenditure on the North Western Railway leave much to be desired, in this particular case I think I ought to mention in extenuation of the difference that they had reported the possibility of the excess to the Railway Board and consequently when the Railway Board fixed the final grants they withdrew from the Agent only a sum of Rs. 9,24,000 under voted and Rs. 94,000 under ~~voted~~ voted instead of the full amount required for strategic lines which amounted as pointed out by the Auditor General to Rs. 29,11,000 under ~~voted~~ and Rs. 3,39,000 under non-voted. The net result was then that ~~taking~~ ~~total~~ expenditure only instead of a saving of Rs. 4,80,000 which is the ~~correct~~ ~~amount~~.

if the expenditure is compared with the original grant, there is really an excess of Rs. 4,44,000 as compared with the final grant. A great part of this is due, however, to a change in classification which was decided after the budget was framed by which salaries of certain officers were treated as votable instead of as non-votable in the past. It will be noticed that there is a saving in non-voted expenditure of about 7 lakhs as compared with the final grant. We are trying to keep a strict watch on all the Railways. As a matter of fact, the budget of the North Western Railway has been recognised to be faulty for some time. We are hoping for an improvement as a result of Rai Bahadur Puri's recommendations.

66. *Sir Frederic Guinilett.*—Have you issued any specific orders as to the period for which separate accounts of branch lines should be kept?

Mr. Rau.—I am not sure that in the orders we have mentioned any specific period; but we shall have to keep them for 5 years at least.

Mr. Das.—Will the Audit keep a watch on this?

Mr. Rau.—The Director, Railway Audit, suggested the other day that they should be checked by the Audit and we have agreed.

Paragraphs 61 and 62 of the Report.

66. *Mr. Rau.*—While I agree generally with the Auditor General I must in fairness to the Railway administrations and to the Railway Board reiterate that though the re-appropriations were sanctioned actually on the 27th March 1928, they were based on estimates submitted much earlier which were based probably on 9 months' actuals. The figures in paragraph 61 show that the modified grant gauged fairly accurately the direction in which the actual expenditure differed from the budget grant, except in the case of Aden, where, by oversight, the strategic and commercial sections were mixed together—the total expenditure was 41. Reappropriations could not be sanctioned before as the Railway Board had to wait for the supplementary grant to be voted by the Assembly before sanctioning them.

Chairman.—Are you assured that the Railway Administration is improving its machinery so far as a watch over the expenditure is concerned?

Mr. Rau.—Yes. I have not noticed that the situation has become worse than it was in the previous years.

Chairman.—It may not be worse, but is it improving?

Mr. Rau.—It is improving.

Paragraph 63 of the Report.

67. *Chairman.*—What is the explanation?

Mr. Rau.—The explanation covers the whole page. But, briefly, they could not anticipate that they did not require it.

Paragraph 64 of the Report.

68. *Mr. Rau.*—The Agent reports that the previous practice was that the leases of plots of land provided for payment of monthly rent in advance. The result of this was that if payment was not made and the case was taken to the

courts, even if the case was not unduly delayed in the courts, at least six months elapsed between rent falling into arrears and the date of obtaining the decree. To prevent the recurrence of cases of this sort an advance payment of six months' rent is now required in the case of the coal depots at Shalimar where the land being specially valuable and the rents correspondingly high the sums likely to be involved are large enough to justify this special precaution.

The Agent has explained that in the specific case referred to where the same Company were granted a fresh lease after a decree had been passed against them, the facts are that the decree could not be executed for want of assets, but the party found finance to the extent of Rs. 1,000 which was paid to the railway in cash with a promise to pay the balance by instalments if the party was allowed to re-occupy the plot. The instalments and the current rent were regularly paid for some months when they again fell into arrears and the party disappeared leaving a few tons of coal on the land which was duly auctioned and the proceeds credited against the rent written off.

As the losses seem to have been more due to a defect of system which has since been changed than to any fault on the part of individuals, the Railway Board does not propose to take further steps to press for disciplinary action. I understand that formerly delivery of coal was given to plot holders at Shalimar without prepayment of freight as it was considered that the fact that they were allotted plots was sufficient to vouch for their respectability. This practice has now been stopped.

69. *Mr. Das.*—What is the practice on other Railways? You recover the rents from every coal merchant in the siding?

Mr. Rau.—This is not a siding. These are plots of land on which they were allowed to dump coal. They are valuable plots. Now they are taking six months' rent in advance.

Colonel Gidney.—And at a higher rate?

Mr. Rau.—They have been told that they must charge an economic rent in all these cases.

Paragraph 67 of the Report.

70. *Mr. Rau.*—There is nothing that I can say in this matter. The cash was lost and it was recovered from the contractor. The Treasurer who was responsible for the whole Cash and Pay administration has paid it and he has taken steps to safeguard himself against further losses.

Chairman.—Is this the system in force on many Railways?

Mr. Rau.—In regard to State Railways, it is in force on the North-Western Railway, and we may introduce it on the East Indian. On the Eastern Bengal and the G. I. P. we have the departmental system. Both systems are working fairly well.

71. *Mr. Kaula*—Is there a tendency in the case of Departments worked by contract not to scrutinise closely the work given on contract?

Mr. Rau.—I think there has been no trouble in the N. W. Railway. Mr. Scott told us so.

12. *Mr. Mitra*.—Which method is more economical ?

Mr. Rau.—That is what we are trying to find out.

Mr. Mitra.—Is it not possible to say what percentage it comes to ?

Mr. Rau.—So far as the E. I. Railway goes, I understand that the actual cost would probably work out a little more than some of the lowest tenders. Of course, the question is whether these tenderers are people who have had experience of this and are sufficiently wealthy to be able to carry out their engagements.

Mr. Mitra.—You take a substantial security ?

Mr. Rau.—I think about 2 or 3 lakhs. For that reason we do not interfere with the detailed administration of the Department.

73. *Sir Frederic Gauntlett*.—Before we go on, might we finish the whole of Grant No. 4 ? There are certain remarks in clauses (h) to (l) of paragraph 56 of my letter, but the only one which I should like to take up is (k). (l) has already been answered and (h), (i) and (j) are comments of no serious importance. But (k) may be taken. (Pages 124-125, North-Western Railway).

Mr. Rau.—I understand the main difficulty was that the basis for distributing the cost of the Clearing Accounts Office was decided only in March 1928, the last month of the year, and the Clearing Accounts Office could not intimate the actual proportion of the different Railways till the 23rd March and then it had to be forwarded to the Chief Auditors of the different lines, and it was only after the close of the year that the question was settled. As a matter of fact, adjustments were made in the March final accounts. This sort of difficulty ought not to arise in future years.

Sir Frederic Gauntlett.—It is only a temporary difficulty ?

Mr. Rau.—Yes.

GRANT No. 5.—*Paragraph 57 of the Auditor General's letter*.

74. *Mr. Rau*.—May I confine myself to the year 1927-28 in this case, unless the Committee requires the explanation of previous years ?

Chairman.—We are primarily concerned with 1927-28.

Mr. Rau.—Out of the savings of 1,01 lakhs under the head “ Rolling Stock ” about $66\frac{1}{2}$ lakhs is due to the provision reserved by the Railway Board on the B. B. and C. I., E. I. and G. I. P. Railways not being utilised. This amount was kept in reserve in anticipation of savings expected to result from economies and improvements which were being introduced. Labour troubles on the B. N. and E. I. Railways have accounted for a saving of 14 lakhs and improved efficiency in sheds and shops have resulted in a welcome saving of about $22\frac{1}{2}$ lakhs. As regards hire charges, the saving is only 3 lakhs and it is due—more than half of it—to misclassification of expenditure on the Tirhoot Railway, which is shown on page 169 of the Accounts. These were wrongly debited under the sub-head “ Miscellaneous ” whereas provision had been made under this sub-head. We are trying to avoid this head entirely in the Budget. The present practice is that hire charges, when the total of the receipts and payments results in a payment to other railways, are taken as an item

of expenditure, and when they result in a receipt from other Railways, as a receipt. This results in wrong budgeting. Taking all railways together the result must be *nil* or negligible. We have modified this practice and we are trying from this year onwards to take hire charges altogether as an item of expenditure, in which case there ought to be very little difficulty.

75. *Chairman*.—Page 161—with regard to the East Indian Railway, it is stated: “Due to adjustment made for writing down the purchase price of Peninsula Locomotive Workshops, Tatanagar.

Mr. Rau.—That was explained in the Assembly. We paid 20 lakhs but when we went into the matter, we found it was not worth more than 12 or 13 lakhs.

Chairman.—It was a bad bargain?

Mr. Rau.—We had to purchase it for various other reasons.

76. *Mr. Das*.—I would like a reply to the Auditor General's comments on paragraph 71.

Mr. Rau.—I am more inclined to think that the Railway Board deserve to be congratulated on the fact that the modified grant and the actual expenditure diverge in the same direction from the original grant except only in one case, namely, the E. I. Railway. As regards the East Indian Railway, part of the divergence between the modified grant and the expenditure is due to the fact that the former figures included 6 lakhs for refunds of revenue (as the provision included remissions of earnings owing to the incorrect idea I have already referred to) while the booked expenditure included less than half a lakh on this account. Another instance which tended to throw out our calculations was the labour strike at Lillooah which began in March and resulted in less repairs to vehicles. As regards the M. & S. M. Railway, the information at my disposal does not bear out the statement that a sum of 6½ lakhs was withdrawn from that Railway. So far as I can see, an additional grant was made resulting in a total net grant of 3,02,17 which was within ½ per cent. of the actual expenditure.

77. *Mr. Das*.—What about the North Western Railway?

Mr. Rau.—In the case of the N. W. Railway, the figures of remissions of earnings not collected have been excluded from actuals whereas the grants have included the provision on this account. The reason for the increase of about 20 lakhs over the estimate of expenditure framed in the course of the year is that nearly half, that is, 10 lakhs, is on account of the greater reduction of share of worked lines expenditure and the other 10 lakhs is mainly due to credits for released materials proving to be in excess. The real explanation is that the case was not foreseen.

Mr. Das.—You could not foresee it and therefore you could not arrange for a modified grant?

Mr. Rau.—The modified grant was given on the 27th March mainly because the supplementary grant was obtained from the Assembly only about the last week of March. Almost all our figures were based on much earlier information.

78. *Sir Frederic Gauntlett.*—What was the first portion of the explanation?

Mr. Rau.—In that year, the budget for the item "Refunds of Revenue" included remissions of earnings not actually received by the Railway. But it was decided that in the actual accounts we ought to show only refunds actually made and received by the Railway.

Sir Frederic Gauntlett.—Is the Budget provision going to follow that decision?

Mr. Rau.—Yes. We have brought it down from Rs. 36 lakhs to 15 lakhs.

79. *Mr. Das.*—The Auditor General has made a remark in paragraph 57 (b) of his letter: "But the differences between expenditure and the modified grant seem rather to indicate inadequate knowledge of the progress of expenditure".

Mr. Rau.—I am afraid it is.

Mr. Das.—On whose side? On the Agent's side or on the side of the Railway Board?

Mr. Rau.—The Railway Board's information is derived from the Agent. In certain cases, of course, we do not always sanction all that the Agent asks for, because we consider that there is a likelihood of his over-estimating his requirements.

Paragraph 72 of the Appropriation Accounts.

80. *Mr. Rau.*—I understand that was due to an adjustment of leave allowances payable in England having been carried out by the Chief Auditor after the month of March 1928?

Chairman.—Still a sum of 11 was withdrawn.

Mr. Rau.—Because he thought it was not required. He had no idea that there would be adjustment after the close of the year.

Chairman.—It was unforeseen?

Mr. Rau.—Yes.

Sir Frederic Gauntlett.—Surely, the Railway people know what people are on leave?

Mr. Rau.—Sometimes it happens that men may be in another department, but under our system of allocating leave allowances, a share of it might come under Railways.

Sir Frederic Gauntlett.—It is on the whole possible to make a good guess?

Mr. Rau.—Yes.

Sir Frederic Gauntlett.—I only emphasise the fact that you cannot have effective financial control unless you watch your liabilities?

Paragraph 75 of the Report.

81. *Mr. Rau.*—In the first place, I think the Bengal Nagpur Railway and the Railway Board would like to express their gratitude to the Accountant General for bringing this to notice. When I investigated this matter at Calcutta it was pointed out to me that the losses worked out by the Accountant General took into account items which were not ordinarily charged to a contractor of refreshment rooms and that it was unfair to charge them in the case of the Catering Department. The question of what charges should or might reasonably be debited to the Catering Department is under consideration at present, but I asked the Chief Auditor to give me figures showing what would be the loss or gain if only charges which were made in the ordinary course to refreshment room contractors were debited to the Catering Department. For example, on the Eastern Bengal Railway, the contractor is allowed the privilege of use free of rent and other charges of all buildings, premises (other than residential) and restaurant cars, and of free transit by rail of furniture and other articles for the equipment of refreshment rooms, and also of stores, wines, provisions, etc., for consumption or sale at refreshment rooms to passengers and railway employees. Allowing similar concessions to the Catering Department of the Bengal Nagpur Railway the financial results of the years reported on should be modified to a certain extent. I understand the result would be as follows:—

		Rs.
1924-25	..	Profit of 4,081
1925-26	..	Loss of 78,438
1926-27	..	Loss of 27,971
1927-28	..	Loss of 76,129

The exceptional figure of Rs. 2,14,000 shown in the Accountant General's report of 1925-26 includes, I understand, an amount of Rs. 65,800 representing the customs duty of previous years debited during that year. It has been noticed that there has been a considerable decline in profits from the stores sold and increase in working costs from year to year. The Catering Department has been thoroughly examined and re-organised and among the measures introduced for reform of the working of this department may be mentioned—

- (i) Conversion of less frequented refreshment rooms to tea rooms.
- (ii) Closing of the refreshment rooms, etc., for the night at 10 P.M. daily or after passing of passenger train, if any, between 10 and 10-30 P.M.
- (iii) Discontinuance of commission to Managers of refreshment rooms, etc., on stock sales.
- (iv) Limiting stocks in refreshment rooms and Central Depot.
- (v) Standardising the articles to be kept in stock in the Central Depot and refreshment rooms.
- (vi) Re-organisation of procedure eliminating duplication of work.

(vii) Revised rules for writing off of stores and for selling stores below price list rates which requires sanction of a Survey Committee or of the Traffic Manager in future.

I understand that the reduction of establishment consequent on the introduction of the revised procedure from the 1st May 1929, has so far amounted to about Rs. 42,000. It is expected that with the changes now introduced the financial position of the Catering Department will in future reveal a profit on the operation of the department.

82. *Mr. Das.*—Is the Bengal Nagpur Railway Hotel at Puri running at a loss or a profit?

Mr. Rau.—I am not quite sure that it is running at a profit; I rather think it is running at a loss.

83. *Mr. Das.*—I would like to know from the Accountant General what he thinks of Mr. Rau's explanation.

Mr. Kaula.—The figures have not yet been scrutinised. They were supplied only about a month ago.

84. *Colonel Gidney.*—The economy of Rs. 42,000 which you referred to—does it include a reduction of the salary of the senior officer? I understand that the Officer in charge of the Catering Department gets nearly Rs. 2,000.

Mr. Rau.—I do not know about that. I have been told by people who have travelled on this line that the catering arrangements on the Bengal Nagpur Railway are distinctly superior.

Colonel Gidney.—They are the best in India.

Mr. Das.—That is the only good opinion about the B. N. R.

Sir Frederic Gauntlett.—The Railway Administration is entitled to ask us to draw a line between contractor's charges and other charges. That is only fair to the Railway, because you must judge it in comparison with what would happen if it were given to contractors.

85. *Colonel Gidney.*—Am I right in assuming that it is the intention of the Eastern Bengal Railway to take over its catering?

Mr. Rau.—I do not think that the Eastern Bengal Railway has any such proposal before it at present. The E. I. Railway were investigating the possibility of taking over its catering, when we sent in a copy of this paragraph of the Report to them.

Sir Frederic Gauntlett.—I have considerable experience, and I say that the catering on the E. I. Railway has fallen down.

86. *Colonel Gidney.*—May I have an answer to my question, whether you propose to have any economy in the pay of the officer in charge?

Mr. Rau.—I have been informed of the reduction of establishment consequent on the introduction of the revised procedure. I do not know whether the reduction includes a reduction of the salary of the head of the department. It might be false economy to put in charge a man who does not know much about it and has not sufficient experience.

Mr. Mitra.—Colonel Gidney says he is getting Rs. 2,000.

Mr. Rau.—I do not know.

87. *Mr. Mitra.*—Was there any change in 1925 ? Because, according to both accounts, there was a profit in 1924-25 and a loss in 1925-26, and it was the largest deficit.

Sir Frederic Gauntlett.—The explanation has already been given. It was due to the payment of customs charges, which related to previous years also, in that year.

Chairman.—We can record that the sub-committee is satisfied about the effort that is being made for reducing expenditure.

Paragraph 76 of the Report.

88. *Mr. Rau.*—The Chief Engineer after discussing with Messrs. Braithwaite and Co., the ways and means for the carrying out of the very urgent and difficult work of repairing the main girders of the Mahi bridge which had been damaged by collision with a derailed goods wagon received from that firm a letter detailing the terms under which they were prepared to execute the repairs. The Chief Engineer then discussed the terms with the Agent who agreed to accept them whereupon instructions were issued to the company to carry out the work accordingly.

Colonel Gidney.—Here is an instance in which a senior officer in a Railway did not know the very elementary rules of giving contracts and yet no action was taken against him.

Mr. Rau.—I cannot understand what else he could have done. He had to carry out a certain urgent work of repair. He took the orders of the Agent and then accepted the terms of the firm. Probably that was the only firm that could carry out the work in the quickest possible time.

Chairman.—How did the Chief Engineer get the orders of the Agent ? Informally ?

Mr. Rau.—He got verbal orders of the Agent.

Sir Frederic Gauntlett.—The question of vital importance is getting an agreed statement of fact.

Paragraph 77 of the Report.

89. *Mr. Rau.*—The calling of tenders for the supply of wood fuel was a survival of the practice which obtained when the railway fuel supplies came from any wooded tract nearby. For the last six years, the railway has only been able to obtain its wood supplies from the government forests which are worked by the contractors chosen by the Ministry of Forests on the result of public tenders. Since only the contractors who had obtained contracts from the Ministry of Forests were able to tender successfully for railway fuel contracts—no outsiders could work in the forests—the practice of calling for tenders has been abandoned by the railway from 1928. As regards the other questions raised by the Auditor General, the matter has been referred to the Agent of Burma Railways whose reply is awaited. As regards the first two questions, I can certainly reply that the Railway Board ~~agreed entirely with the recommendations~~ of the

that ordinarily it is desirable to enforce the penalty clause where it exists. As regards the other questions, I cannot answer now as I am awaiting further information from the Agent.

Mr. Das.—I draw your attention to the following sentence in paragraph 77 : “In no year could the contractor supply the stipulated quantity of wood fuel, but still the penalty clause was not enforced”.

Mr. Rau.—That is what we are asking the Agent to explain.

Mr. Das.—In paragraph 3 the following sentence occurs : “The explanation of the Agent for adopting this unusual procedure was that the old contractor had on the ground a balance of 1,200,000 cubic feet of wood fuel” How do you reconcile these two sentences ? Apparently they are contradictory.

Mr. Rau.—That is what we are asking the Agent to explain.

Paragraph 78 of the Report.

90. *Mr. Tower.*—The transhipment of packages actually had to be handled by the contractor in three operations. On this account additional payment was sanctioned. This additional payment was cancelled when the revised form of agreement was drawn up. The overhead charges in the bills in question were made through a misunderstanding of the agreement and in both cases the overpayments were recovered. The matter was thoroughly investigated and as it was found that there was no fraud intended the parties responsible were only warned. It is the practice at many stations on the Great Indian Peninsula for station masters to undertake handling of goods and this procedure has been found to be better than the handling of the work by outsiders. It has been stated that the Traffic Manager certified these bills without checking. That is actually done by the Divisional Superintendent in the course of audit.

Sir Frederic Gauntlett.—The point is that the Divisional Traffic Manager has to certify as to the accuracy. That means that he has to make such arrangements as will generally ensure the accuracy. He is responsible for applying such checks. If in fact the checks can only be employed in the course of yearly inspection, he has to devise a system of local inspection which will enable the checks to be properly applied during the inspection.

Mr. Tower.—It is not for one moment suggested that he has to verify each individual bill as he passes it on. What is meant he must have some system whereby he can fulfil his responsibility for general accuracy.

Mr. Rau.—In the case mentioned in the last sub-paragraph the further promotion of the clerk responsible for the unsatisfactory check was stopped.

Colonel Gidney.—It is the district traffic inspector and the auditor who are responsible. Why should the poor clerk be punished ? These are glaring instances of senior officers being let off and subordinate clerks being taken to task.

Mr. Rau.—I think the Auditor General has properly stated that the responsibility of the Divisional Traffic Manager was that he must see that proper checks are applied and he did it through the commercial and audit inspectors.

Mr. Tower.—The Divisional Traffic Manager has to check 70 or 80 stations and he cannot find time to attend to his ordinary work.

Sir Frederic Gauntlett.—Were any irregularities found out by the Traffic Manager after check?

Mr. Tower.—Yes, in some cases.

Paragraph 79 of the Report.

91. *Mr. Rau.*—The Great Indian Peninsula road van services consists of a regular number of section vans at certain trains which clear small consignments from road side stations. The work of handling road van packages is laborious and costly and the sorting and transhipping of packages from one van to another involves two and sometime three operations. In some cases the packages have to be carried considerable distances from one wagon to another for loading in the van and loaded to the section concerned. It is therefore not possible to compute an acceptable rate for handling on an actual ton basis. The contractors have incidentally to perform many other duties free of charge. If railway labour were employed the cost would be much greater than the rates at present shown. The four ton rate for section road van traffic was completely reviewed by the Agent who considers the present system to be the most economical. I am not however quite satisfied that a system which results in payment of a charge based on weight more than three times the weight handled can be quite economic and I shall ask Mr. Scott to make a separate independent investigation into this case.

92. *Sir Frederic Gauntlett.*—Am I to understand that the position is that it is agreed that payment is never contemplated according to the actual weight handled?

Mr. Rau.—That is so. It is said that the weight would be taken as four tons, whatever the actual weight. I do not think that system can be good economy.

93. *Sir Frederic Gauntlett.*—Don't you think that by making two or more loadings for the same day the contractors receive payment for very much larger quantities than they actually handle?

Mr. Tower.—It is not necessarily so.

Sir Frederic Gauntlett.—My question has not been answered. My point is that by making two or three loadings the same day, the contractors receive payments for very much larger quantity than they actually handle. The implication there is that if somebody had ordered him to do the whole thing in one loading, the actual payment would be less. The contractors can play about it when he likes and what he likes, and receive much more money for doing exactly the same amount of work.

Mr. Tower.—I do not know how this comes in.

Sir Frederic Gauntlett.—It was discovered that this system of payment was open to abuse as by making two or three loadings the same day, the contractors receive payment for a very much larger quantity, than they actually handle.

Mr. Tower.—I do not know how he can do it.

Sir Frederic Gauntlett.—My whole comment is based on the supposition that your statement is correct. If the statement of facts is not correct, then my comment falls through. Will you please ascertain whether the statement of the facts is correct?

Mr. Rau.—I gather from the explanation that it is the rate per van and that the actual number of operations would not matter.

Mr. Kajala.—The Auditor General's statement is not challenged.

Mr. Rau.—When it is according to the rate per van, there will not be any payment on the actual number of operations.

Mr. Tower.—This system is not open to abuse.

Paragraph 82 of the Report.

94. *Mr. Rau.*—On account of reports that over-crowding was taking place, it was decided as an experiment to limit the loading of cattle to 15 head per wagon in local booking, but when it was found that these orders were stifling the traffic, the number per wagon was increased to 20 head for cattle of stunted growth. On the south-east section of the Great Indian Peninsula the cattle for export are very small in size and for years past 23 head of cattle per wagon have been loaded on this section. It was on these bookings that the Chief Auditor debits the charge at the rate of full additional wagon whenever more than 15 head of cattle were loaded. Had an attempt been made to recover the undercharges from the consignors, or had the Chief Traffic Manager insisted on only 15 head of cattle being loaded the traffic would have been lost to the railway. When the Chief Auditor objected to the term 'cattle of stunted growth' he was asked to suggest a better expression but was unable to do so. The term therefore remains.

Mr. Tower.—This is a very heavily competitive traffic between the Great Indian Peninsula and the Bombay, Baroda and Central India for supply of cattle for slaughter in Bombay. It is a fact that the cattle of Sholapur district are very small in size and they would allow as many as 23 to be loaded in a wagon. When the limit of 15 was fixed, the traffic in the south-east was never taken into account. As regards the term 'stunted growth' we have not found any better term.

Mr. Mitra.—The point is when there is a rule, it must be strictly followed, unless it is changed. So long as there is a rule, it must be carried out. If there is sufficient reason, they can get the rule changed.

Mr. Tower.—When they made the rule, they evidently forgot the existence of south-east.

Chairman.—Who decided whether the cattle are stunted or not?

Mr. Tower.—All of them are stunted. It is well-known.

Mr. Mitra.—When there is a rule, why should you leave the discretion to the station master or to any subordinate in the station to load as many cattle as they like? They ought to have represented to the Divisional Traffic Manager to get the rules changed?

Mr. Tower.—They did represent to the Divisional Traffic Manager.

95. *Sir Frederic Gauntlett.*—I do sympathise with the audit being asked to apply a very loose term as 'stunted growth'.

Mr. Tower.—Call it of small size, if you like.

Mr. Kaula.—You can describe the area and say that cattle from that area could be loaded to such and such a number.

Sir Frederic Gauntlett.—If you say that in a particular area 23 head of cattle could be loaded, then it makes the task of the audit easier. We want some precise term.

Paragraph 83 of the Report.

96. *Mr. Rau.*—This is a case of great importance. My first impression was that it was most extraordinary that an Agent of a Railway should want to present 17½ lakhs to another railway. I thought therefore it was possible that the Chief Auditor in adventuring into questions of which he had no particular knowledge was making a mistake. The average freight paid to the Bengal-Nagpur Railway was 1·96 pies per ton mile and the Agent explains that the Chief Auditor's proposal would have cost the Great Indian Peninsula Railway 2·5 pies per ton mile. Moreover, I do not think we should look at it merely as a question of the Great Indian Peninsula Railway alone. After all, all these railways are owned by the State and it would not be economical on the whole to route the traffic 225 miles longer in any case.

I should like to know whether the further report that the Director of Railway Audit expected to get has been received. I understand this question was again and again discussed by the Chief Auditor with the Chief Traffic Manager and the Agent and I thought the question whether there was a loss is a question of fact which ought to have been settled long ago.

Chairman.—With regard to the question of treating all the railways as one system owned by the State I should like to point out that the results of each individual railway are judged separately.

Mr. Rau.—And so naturally the Agent would like to get the most traffic for himself but would look to the *net* gains, and not the gross receipts. The Agent's contention is that if he had followed the Chief Auditor's advice he would have lost money.

97. *Mr. Rau.*—What is the result of the examination of the Chief Auditor on the question whether there was a defect of system?

Mr. Kaula.—The Chief Auditor has reported and we have passed it on to the Railway Board. The Great Indian Peninsula Railway contend that it is the cheapest from their point of view as otherwise there would be an increase in their own working expenses. I would like to know if the Railway Board accept that.

98. *Mr. Rau.*—What I would like to know is whether the Chief Auditor agrees with the Agent that the working expenses would have been increased.

Mr. Kaula.—The Chief Auditor declines to take any responsibility for calculations on that basis. The Chief Auditor has made a certain report on the basis of certain statistics. Having done that, I do not know what else is required of the Chief Auditor.

Mr. Rau.—The Chief Auditor believed that the Railway was losing 17½ lakhs from April 1926 to September 1927 and unless he has come to the conclusion that the Agent was correct in saying that there was no loss the question cannot be left by audit where it is.

Sir Frederic Gauntlett.—I think this statement of the case here by the Chief Auditor apparently takes into account only the actual amount which might have been earned by the G. I. P. Railway if another route had been adopted, or rather the difference, between that amount and the amount that would have been earned by the route that was actually adopted. The reply of the railway company is that that may be true but the fact remains that it would actually cost the G. I. P. Railway much more to draw the coal over the railway. I understand that Mr. Kaula has now got a note from the Chief Auditor in which apparently he acquiesces and then left it to the Railway Board to decide whether the one should outweigh the other. This is unfortunately one of those cases which are not completely stated. I do agree that it is unfair for the Chief Auditor merely to quote one side of the case. It is a pity that the Chief Auditor and the Agent did not go through it together. Anyway, from the 1st October the G. I. P. Railway will come under Mr. Rau and then he can make his own inquiries and he can take what steps he chooses. For the present I think it would be sufficient for the Committee to say that they have heard the case as presented by the Agent and they feel very strongly that this is another case which shows the absolute necessity of having an agreed statement of the case put forward in these reports.

Paragraphs 86-89 of the Report.

99. *Sir Frederic Gauntlett.*—Paragraph 58 of my letter. Why was the supplementary grant so inadequate?

Mr. Rau.—Though it was presented on the 27th March it was really based on figures much earlier. In that year we had given special instructions to slow down the capital expenditure and we thought we could keep within the total grant of 30 crores but the total expenditure was 32½ crores.

Sir Frederic Gauntlett.—When you are presenting supplementary demands is it not possible to obtain the latest figures?

Mr. Rau.—Yes, but the latest figures were the January figures and the last two months are the months in which the heaviest expenditure takes place. That is why the Railway Board would welcome a change in the railway year.

Page 181 of the Report—B. N. Railway.

100. *Mr. Rau.*—When the provision for the new construction (Barka-khana Chandil Railway) was proposed it was not anticipated that the line would open in 1926-27. But it was opened earlier and naturally a good deal of the expenditure was taken under Open Line.

Sir Frederic Gauntlett.—But 13 lakhs is a very high figure and it would ordinarily take a long time to spend that.

Mr. Tower.—Towards the latter part of a railway construction, i.e., laying the rails, etc., you suddenly get a quick rise in expenditure.

Paragraph 90 of the Report.

101. *Mr. Rau.*—Taking the Auditor General's comment first, I understand it has been the practice in the Burma Railways for several years to supply quarry contractors with plant free of charge, and they claim that in return the railway obtains its stone metal at considerably lower rates than the P. W. D. and other users. I am not convinced that this procedure can be entirely satisfactory as it is obviously difficult to make sure that the railway obtain full value for the free services they give. I am asking the Agent, Burma Railways, for figures to substantiate his claim that this arrangement is on the whole economical.

The crushers were obtained because a large quantity of ballast was required for the purpose of doubling the line from Pyuntaza to Pyu and Pyu to Kyungon, and it was desirable to obtain such ballast from a nearer source of supply than existing quarries, partly to avoid delay in supplies and partly to avoid the long lead from existing quarries. For these reasons it was decided to open up a quarry at Pyn. The crushers could not be utilised at Pyn. as stated in the report, because unfortunately the supply of good stone gave out at a small depth below which only sand stone was found, which did not warrant the use of crushers. Mines and quarries are notoriously uncertain in development and it is difficult to dispute the assertion that it was impossible to foresee at the time the difficulties that were likely to arise in utilising the crushers. The plant was subsequently and is still employed in crushing stone for revenue purposes, and consequently the debit was later transferred to revenue.

Mr. Das.—Do you not think that the Railway Board ought to exercise greater vigilance when the contract with a particular railway is about to come to an end?

Mr. Rau.—We realise that. In the case of the Burma Railways the Controller of Railway Accounts went out to Burma to see that the stores were correctly valued, and to see that all possible questions of allocation were settled in time.

Paragraph 91 of the Report.

102. *Mr. Rau.*—The Agent has explained that the mistake was due to excessive zeal and the Assistant Engineer concerned was warned, but in the circumstances no further disciplinary action was considered necessary. In order to prevent a similar loss in future arrangements have been made for the freer use of cement instead of lime mortar in the lower courses of large structures and for more frequent inspection by administrative officers.

The matter has again been carefully considered by the Railway Board who have finally decided not to interfere with the judgment of the Agent as they consider a more severe punishment might tend to have undesirable effects to dishearten a junior officer and instil generally an undue and possibly ultimately expensive caution. Apparently no directions were given to the Assistant Engineer. But now arrangements have been made for the freer use of cement instead of lime mortar. The Assistant Engineer wanted to get on with the work quickly before the monsoon came on.

Sir Frederic Gauntlett.—It is a matter of technical knowledge which ought to have kept the Assistant Engineer straight.

Mr. Rau.—This is a matter in which the District Engineer must share a part of the responsibility as the railways are divided into districts and the District Engineer was there to supervise the work.

Mr. Rau.—We must trust the Agent in this case, and generally we are reluctant to interfere with the disciplinary action taken by the Agent unless it can be taken as a deliberately perverse judgment.

Chairman.—Is it because it is a company line or is it the general policy?

Mr. Rau.—It is the Agent who knows all the circumstances of the case: as regards company lines, as I have already explained, it is much more difficult for us to interfere.

Sir Frederic Gauntlett.—Is your expression of the attitude of the Railway Board in these cases a perfectly general expression, or does it apply to this case only?

Mr. Rau.—I think generally that is so.

Sir Frederic Gauntlett.—I would still press this case—I think it is a particularly bad case.

Mr. Rau.—I would say this: that if in the opinion of the Railway Board the action taken is seriously inadequate, they would certainly take steps to insist on the Agent taking more severe action in the case of the State Railways: but in the case of Company-managed railways they would express their opinion and tell the Agent that in their opinion more severe action ought to have been taken, as in many of these cases they are going to do.

Chairman.—We must say that we are not satisfied with the explanation given.

Paragraph 92 of the Report.

103. *Mr. Rau.*—As regards these purchases, the Agent has reported that all concerned have been warned to buy according to the rules and audit instructions.

Colonel Gidney.—This is a case in which the Executive Engineer deliberately did a thing which he should not have done, and it has entailed a loss.

Mr. Rau.—But the explanation is there, that it was on account of an emergency. The Chief Engineer has realised the position and issued the necessary instructions.

Paragraph 94 of the Report. Shoranur-Nilambur Railway.

104. *Mr. Rau.*—The guarantee in this case was fixed on a more or less rough and ready basis; this being one of the first lines to be started on the guarantee basis. From the rough estimate of traffic receipts and working expenses, it was considered that the line would yield unassisted 4 per cent., and the Madras Government was therefore expected to pay an additional 2% to make the return 6%. The actual guarantee was based upon a total of 69 $\frac{1}{2}$

lakhs as by the time this was communicated to them it had been known that the cost of land assumed in the original estimate would be increased by about 7 lakhs.

The revised estimate for Rs. 86,69,000, not 84,69,000 sanctioned by the Railway Board in June 1928 included two items which were not included in the original estimate. One was for Rs. 8,05,000, interests on capital during construction ; the other was for Rs. 2,43,000, the proportionate cost of the junction arrangements at Shoranur which it was originally apparently intended to carry out as a separate work but which the Railway Board decided should be taken into account in calculating the cost of the railway. Taking these two items into account the actual difference is only about 6½ lakhs—a trifle less than 10% on the original estimate which is not unreasonable in itself. (It is possible, however, that owing to our maximum guarantee fixed at the figure of 1,39,000 there might be a loss for the first few years).

105. *Sir Frederic Gauntlett.*—There is only one further point in paragraph 58—(page 182 of the Report)—this is a case of a failure to reappropriate and cover excess. The most important case is the M. S. M. The excess was not covered by reappropriation.

Mr. Rau.—The Railway has explained that the excess is chiefly due to stores adjustments in the latter part of the year which were not anticipated. The total capital grant is not affected in any way.

Sir Frederic Gauntlett.—This denotes inadequate knowledge of the progress of expenditure.

Mr. Rau.—Partly of course it is due to the orders of the Railway Board to reduce capital expenditure on new construction. The Agent thought he would reduce it, and he kept his cash expenditure down but lost sight of his stores adjustments. I agree that he ought to have known it. The other item is the Dronachellam Kurnool Railway : that I understand is due to heavier expenditure on girders received from England and anticipated credits not having been realised in full. That line has now been handed over to the N. G. S. R.

Sir Frederic Gauntlett.—The rule which the Railway Board issued fixing the limit at 1,600 cwts. was changed to six months' consumption?

Mr. Rau.—I think the general rule issued by the Railway Board was three months for indigenous material and 6 months for foreign material and it should be taken as cancelling the special orders.

133. *Mr. Das.*—Such costly materials as tin ingots—why should each railway buy separately and why should not the Railway Board pool the orders of all State-managed railways and thereby get the materials at cheaper rates?

Mr. Rau.—I do not think the consumption for all the railways is of great importance. We do not have centralised purchase except in the case of a very few items which are really important, like timber, wagons, locomotives, etc.

134. *Chairman.*—*Paragraph 121.*—How was it that the irregularity was not detected?

Mr. Rau.—The irregularity continued for some years till it was detected in audit in June 1927. You will have to ask Mr. Kaula about it.

Mr. Kaula.—The explanation is that originally there was no staff for higher audit.

Sir Frederic Gauntlett.—I do not think you can quite condone the failure to watch this. I should accept the criticism that it ought to have been done.

Chairman.—Even under the unified system?

Mr. Rau.—It has been discovered under the unified and not under the separated system.

135. *Mr. Rau.*—*Paragraph 122.*—On the last point raised in the note of the Accountant General I shall, if the Committee like, read an extract from the letter of the Agent, South Indian Railway, on this point which puts his case better, I think, than has been presented in this paragraph.

Sir Frederic Gauntlett.—The last six lines would not have appeared in this report except for the quarrel with the Madras Corporation. It merely continues the story and the audit in fact would not have drawn attention to cracks. Certainly I should not, but for the fact that a principle is involved in the first part of the paragraph which is that before you start a joint work you must come to a definite agreement with the other party.

Mr. Rau.—They had come to a definite agreement which the Madras Corporation had accepted. The letter says “This bridge is built on what has turned out to be an exceptionally treacherous area for foundations, and I am of opinion that when the structure was erected it was impossible to foresee this. It would, of course, have been easy for any Engineer to make himself safe by utilising much deeper foundations or by introducing piles, but nothing indicated that such expensive foundations were warranted.”

“The number of failures due to insufficient foundations is exceedingly small compared with the number of foundations being constantly put in and if, in exceptional circumstances such as this, the failure of a foundation is to be considered to the discredit of an Engineer, it can only have one effect, namely,

to render Engineers unnecessarily cautious with the result that the cost of foundations throughout the railway will be appreciably increased to no purpose."

The Corporation said that they would share the original estimate but that the actual amount of the revised estimate was exorbitant, and in spite of convincing reasons adduced by the Agent they only agreed to the amount as stated in the report. It was a compromise that was arrived at.

136. *Mr. Rau.*—Paragraph 123.—Work on this colliery started when coal prices were high, but they have declined since and the Railway Board have had to reconsider the position. The amount of coal which the Railway Board decides to raise from the various collieries, the property of the different railways in India depends a good deal upon the market price at which they find themselves able to purchase at any particular time. These collieries are looked upon to some extent as a reserve on which railways can draw should market price move against them. Obviously this enables the Railway Board to keep a better control over prices than they could otherwise do, and it was for that reason that work on the Religara-Dari Colliery had been suspended; and for the same reason it is impossible to give any approximate date when raisings from Religara would be re-commenced. It all depends on how the market moves. The Railway Board look into this question frequently, particularly at the time of the annual consultations with the Chief Mining Engineer when it is decided exactly how best to obtain the coal required for Railways in the ensuing year.

Chairman.—We hope we shall have commercial accounts of these collieries very soon?

Mr. Rau.—We have placed our recommendations before the Standing Finance Committee and they have not had time to go into it.

137. *Chairman.*—Grant No. 8, paragraph 59, page 204 of the Accounts.

Mr. Rau.—I quite recognise the justice of the Auditor General's comments in reference to the last sentence on page 204. That was clearly a mistake but as regards the others I understand that the effect was that the sanction to the reduction of the rolling stock was issued later in the course of the year.

138. *Chairman.*—Page 206, Great Indian Peninsula.

Mr. Rau.—Here, they did not anticipate that the charges will be so much and they reappropriated a greater portion of the amount.

139. *Chairman.*—Paragraph 127.

Mr. Rau.—We have decided to adopt the procedure mentioned in this paragraph, but have been trying to persuade Company-managed railways to adopt the change in their accounts so that there will not be any necessity for obtaining information with regard to these credits separately so as to make the necessary adjustments in the Government accounts of the railway. We made a reference on the subject to Companies' lines in November 1928. Most of the replies have since been received and they indicate that there is no possibility of our getting all Companies' lines to agree. The procedure will, however,

given effect to in the accounts of 1929-30, and if a supplementary grant is required as a result of this I shall take steps to obtain it in the winter session of the Legislature.

140. *Chairman.—Paragraph 128.*

Mr. Rau.—The only question that remains is as regards the adjustment to be made in respect of past transactions. I have asked the Controller of Railway Accounts to work out the details of the amount involved in consultation with the Director of Railway Audit, and thereafter shall consult the Finance Department.

141. *Mr. Rau.—Paragraph 129.*—I understand the Railway has been advised that the schedule of rates signed by the contractor were perfectly proper and legal documents. They state definitely that there was no understanding that all the works at Anara would be entrusted to the contractors. The Chief Engineer gave them no such undertaking, and the District Engineer had no power to do so even if he wished.

The difficulty was apparently that the rates that had been framed might have been held to be too low considering the actual conditions in which the work was carried out and the administration was afraid that if the matter was taken to court the contractors would be awarded higher rates. It was explained that the question at issue was really what work was provided for by giving schedule rates and what was not ; and their experience was that in case of doubt the courts ordinarily give the contractor the benefit of it. The arbitrator apparently proceeded on the time-honoured method of taking the mean between the two, and though the Railways were advised that the award would be set aside in a court of law they preferred for obvious reasons to have a compromise.

The sanction of the Railway Board should have been obtained before the dispute was submitted to arbitration ; but after consideration of the facts of the case the Railway Board do not think that they can with advantage press for severer disciplinary action against any person concerned because it is difficult to fix the responsibility for this on any particular officer.

The Railway has now prepared new forms of tenders for different work which lay down the conditions on which a tender is based in a very clear manner. These forms have been prepared in consultation with their solicitors.

142. *Mr. Das.*—In view of the fact that the Bengal Nagpur Railway did this without the sanction of the Railway Board, did the Railway Board take any disciplinary action ?

Mr. Rau.—It was difficult to fix the responsibility on any single officer.

143. *Colonel Gidney.*—Don't you think the Agent was responsible ?

Mr. Rau.—We cannot take the Agent to task for every single item. We have told the Agent that the sanction of the Railway Board ought to have been obtained.

144. *Colonel Gidney.*—What is the difficulty in placing the responsibility on the Agent ?

Mr. Rau.—Do you mean to say that we should fine him. Rs. 5 or sack him.

Mr. Chairman.—You could certainly communicate the matter to the Home Board?

Mr. Rau.—I don't think you could write straightaway to the Home Board if in one case the Agent goes wrong. The Bengal Nagpur Railway has improved so much during the last two years that we did not want to complain to the Board about the past.

145. *Sir Frederic Gauntlett.*—There is one point to which I should like to draw the attention of the Committee and that is the question of the delays is not at all referred to in the explanation.

Mr. Rau.—The Agent did not agree that the award was justified and the only reason for the railway agreeing to pay the contractor was apparently that they were satisfied on the question of low rates.

146. *Mr. Das.*—I find there are contractors who also take advantage of the loopholes. I think their name should be struck off. I think the committee ought to recommend it?

Mr. Rau.—Merely because he stood on his rights?

Sir Frederic Gauntlett.—I hardly think it would be equitable as the contractor brought a case against the railway and won it.

147. *Sir Frederic Gauntlett.*—In the Statement of Claims there is no reference whatever to the view that the Railway Board has taken on the finding of the arbitrator that there was definite delay which enabled part of the scheme to be substantiated against the company. We do not know whether the Railway Board has expressed its views to the company on that question.

Mr. Rau.—We did ask the Railway. I have a letter from the Agent. This is what he says:

“ Although there is of course not the slightest suggestion that the arbitrator dealt with the case in a morally improper manner, our opinion backed by Counsel is that technically the award is definitely irregular and improper in that it ignores legal considerations and admits irrelevances as governing the decision. The Railway Board are of course aware that serious disputes are always liable to arise over works of magnitude carried out by contractors no matter how carefully or elaborately the contract may be drafted by solicitors and where a dispute has reached the point at which the parties cannot arrive at a settlement between themselves recourse has to be had either to a court of law or to arbitration. Where the dispute involves detailed examination of complicated facts, circumstances and figures, legal proceedings must inevitably be exceedingly costly and protracted and in such cases as this, it would be virtually impossible to get the full facts before a non-technical court. On the other hand if the dispute is referred, as in this case, to a technical arbitrator, there is always the risk of the arbitrator dealing with the matter without full and due regard to established law. As I have already stated we have strong legal advice

that the whole basis of the award was irregular. Correspondingly, comments of the arbitrator on faults of planning, organisation and control on the part of the railway authorities are pure irrelevancies which form no proper part of an award."

148. *Mr. Mitra.*—Now it is clear from this that the award may be set aside only on technical grounds.

Mr. Rau.—On legal grounds.

Mr. Mitra.—There is nothing to see that the arbitrator's decision on the points raised were correct or not?

Mr. Rau.—The arbitrator's award might be reasonable. I do not say that it is unreasonable in itself.

149. *Chairman.*—At what stage exactly did the matter come to the notice of the railway?

Mr. Rau.—After the settlement.

150. *Sir Frederic Gauntlett.*—Is the Railway Board satisfied after careful perusal of all the papers that there was no delay which would justify the arbitrator in coming to the conclusion?

Mr. Rau.—The Railway Board's opinion is that in the circumstances of the case there is no advantage in pressing the matter further, especially as these are Company-railways. I cannot say that I am satisfied that there was no delay.

151. *Sir Frederic Gauntlett.*—The relations between the Railway Board and the Company must be very difficult. I fully realise that. If you are satisfied that the work had been done unsatisfactorily, do you think you are debarred from passing that comment on?

Mr. Rau.—We could not insist upon any disciplinary action. But we have, I think, said that the Agent ought to have brought this to our notice much earlier and that we are not fully satisfied with regard to the other irregularities; they should have been taken more serious notice of. We are going to, if we have not already written, write in connection with the general letter we are going to write to B. N. Railway.

152. *Mr. Das.*—We are committed to the recommendation that the Railway Board has been chary in passing any comment over the Bengal Nagpur Railway. So much public money has been lost in this case. We would ask the Railway Board to request the Agent to see that strict disciplinary action is taken against the officials whose neglect led to this.

Sir Frederic Gauntlett.—I suggest, Mr. Chairman, that it is too difficult to press the Railway Board to say that this action must be taken. The Committee can ask the Railway Board to come to an independent judgment on the facts of this case and to communicate that judgment to the company. If the Sub-Committee could accept a recommendation on these lines, I think we would be justified.

Chairman.—It must be on some sort of general lines.

153. *Mr. Mitra.*—What was the loss incurred due to the delay of the Company?

Mr. Rau.—It is very difficult to say that.

Chairman.—It is very difficult to assess a loss like that.

Sir Frederic Gauntlett.—Mr. Rau is on very strong grounds in saying that it is very difficult to say that so much of the loss was due to delay.

154. *Chairman.*—We then come to paragraph 130. Under-estimating cost of building saloon carriages.

Mr. Rau.—In my opinion the Agent was justified in calling attention to the fact that the saloons built in 1916 cost very much less and saying that unless the cost of the saloons could be reduced it would not be possible to sanction construction. The cost of underframes was, it is understood, excluded according to the practice at the time, and the allocation was accepted by the then Government Examiner and passed by the Railway Board. It is therefore difficult to blame the Railway at this late date. The policy of indenting for spares in the case of items liable to damage in transit cannot also be condemned outright. (I understand that as a matter of fact this policy of indenting for spares as an *ordinary rule* has been given up now.) But whether these if not required for the rolling stock for which they were indented should be utilised elsewhere without a charge being made to the work on which they were utilised seems to be questionable. The question was started in 1921 and was finally settled in 1926 by the revised allocation sanctioned by the Railway Board, and I am of opinion that it is too late for us to take any effective action in the matter.

155. *Mr. Das.*—When was the saloon completed?

Mr. Rau.—The Revised Estimate was sanctioned in 1926; they were sent to us in 1925.

156. *Mr. Mitra.*—They have raised three specific points, arbitrary cutting down of estimates with a view to facilitate its being sanctioned, without criticism. I do not know whether that is justified.

Mr. Rau.—If the Agent, for instance, says that he cannot sanction an expenditure of Rs. 1,83,000 or Rs. 22,000 a saloon, because only three years earlier it was Rs. 13,000, I think the Agent is justified in calling attention to that.

Mr. Mitra.—Then we have this. The policy of eliminating the provision for the underframes with the same object by treating the work as one of conversion.

Mr. Rau.—It was the practice of the time that the cost of under-frames should be excluded and the allocation was accepted by the then Government Examiner and passed by the Railway Board.

157. *Mr. Mitra.*—The third point is this. The policy of indenting for spare materials against the provision under contingencies in estimates for new stock.

Mr. Rau.—I do not think it altogether improper in every case, but I understand as a matter of fact that this policy of indenting for spares as an ordinary rule has been given up now.

158. *Chairman*.—We next come to paragraph 131. Expenditure improperly charged to Railway Funds.

Mr. Rau.—The Railway Administration explains that the transaction did not involve any serious loss to them, but on the other hand was a source of considerable advantage to the Railway.

The Railway had under consideration proposals for a heavy scrap yard at Khargpur for some years prior to the Burma Corporation wishing to dispose of their shops at Tatanagar. This was agreed to on terms providing, *inter alia* that the Railway would be repaid the whole of their out-of-pocket expenses, would pay for whole-time staff and honoraria to the railway staff supervising it. Use was made of an already existing railway scheme for a scrap yard which would have to be built in any case sooner or later and the Railway at the same time actually used the scrap yard for its own purposes without being inconvenienced by the materials stacked there belonging to the Burma Corporation. The corporation agreed to deposit the cost of siding (Rs. 11,400) to be refunded when their stock was disposed of. By an oversight this deposit was not enforced, but when the oversight was detected all the works represented by the deposit had been taken over for the use of the Railway. It was intended to charge rent for the stacking ground and this was provided for in the draft terms, but in the final terms again by an oversight this was omitted. The Agent says that except in this respect there was no loss to the Railway and they benefited by the arrangement, (i) by the volume of traffic handled which was estimated as worth over Rs. 35,000 ; and (ii) by being able to buy practically new material for the Railway at favourable second-hand prices. It is an unfortunate coincidence that the Railway Administration by an oversight omitted to charge rent and to take a deposit ; whereas there was no oversight in the matter of recovering from the Burma Corporation the pay of the men employed and the honoraria to the superior staff. This suggests that the officers concerned were less solicitous about the interests of the Railway Administration than of the interests of individuals and the Railway Board have expressed to the Agent their deep displeasure particularly with this aspect of the case.

159. *Mr. Das*.—Are you sure that no blame lies with the District Engineer of Kharagpur ? He must have colluded.

Mr. Rau.—So far as the whole case is concerned, it is probable that on the whole the railway gained rather than lost, but it is at least a coincidence that they omitted the terms which were directly to the benefit of the railway and forgot nothing which was to the benefit of individual officers.

Mr. Das.—You are hitting the right point. In these Company-managed railways, the officers do not care for Indian revenues at all ; they do anything they like.

Mr. Rau.—It is the interests of the railway undertaking as a whole in which they are partners to some extent.

160. *Chairman*.—Paragraph 132. Incurring of liabilities in advance of sanction to estimates.

Mr. Rau.—The wagons in question were continually out of service being under repair, as the headstocks were weak and the bogies developed cracks. The original proposal was to replace the bogies entirely and to provide special buffers so that shocks on the headstocks would be minimised. In cases of this nature it is purely a matter of individual judgment as to whether it is more economical to scrap, to patch up, or to make entire replacements of defective parts. It was originally intended to adopt the last mentioned course, but when the Railway Board objected to the expense, Mr. Wrench proceeded to Bombay and evolved a scheme in which, by providing a strengthening angle at the back of the headstocks and a tie rod across the axle guards, the vehicles were sufficiently strong for ordinary service. Mr. Wrench's proposals had the disadvantage of adding to the tare weight and reducing the paying load of the vehicles, but this was more than balanced by the reduction in expenditure. As regards responsibility for the original proposals, I will read out an extract from Mr. Wrench's note :

“ The original proposals made provision for the replacement of all the bogie trucks estimated to cost approximately Rs. 79 lakhs and it may be argued that as it has since been decided to strengthen up the existing bogies, there was insufficient justification for incurring unnecessary expenditure on their replacement. It is admitted that the design of the present bogie trucks is defective, but whether the proposed strengthening will entirely overcome the troubles which are being experienced remains to be seen. I personally think that they will, but on the other hand, had new standard bogies been placed under these wagons, it would have resulted in a considerable reduction in the tare weight, thus permitting of an increase in the paying load. It is in my opinion a moot point as to whether the economies which would accrue as a result of fitting new bogies would not in the long run justify the additional expenditure, and I do not think that the Chief Mechanical Engineer can be taken to task if he held a similar view ”.

Sir Frederic Gauntlett.—When were these bogies obtained which required such extensive alterations ?

Mr. Tower.—They were pre-war bogies. They were of a bad type. At present they are perfectly all right.

Sir Frederic Gauntlett.—You cannot go back and find out who was responsible for this in the first place ?

Mr. Tower.—That was 17 years ago and the officers concerned have retired.

Chairman.—I suppose nothing further can be done.

161. *Chairman.*—Grant No. 10. Pages 230 onwards. Paragraph 61 of the Auditor General's letter.

Mr. Rau.—I agree with the Auditor General's comment there. There is no doubt it shows inadequate knowledge of progress of expenditure.

162. *Mr. Das.*—May we know the circumstances in which the Railway Board omitted the provision suggested by the Agents of the Bengal Nagpur and North-Western Railways.

Mr. Rau.—The defective budgeting pointed out was due to the details shown in the expenditure under Grant No. 10. We have already taken steps to set it right. We are now getting information from the railway administration. Formerly they were distributed on an arbitrary basis in the Railway Board.

163. *Sir Frederic Gauntlett.*—Look at the detailed figures at page 236. You only provided for station machinery on 4 railways out of 11. Could you not presume that other railways required some station machinery?

Mr. Rau.—This was obviously a mistake in budgeting. What happened in the year was that we got estimates from railway administrations according to Grant No. 8 and not according to heads of Grant No. 10. This has now been set right.

164. *Sir Frederic Gauntlett.*—On page 242 there is a most amazing variation.

Mr. Rau.—It is the corresponding portion of what we noticed under Capital.

165. *Sir Frederic Gauntlett.*—Page 250. Grant No. 11.

Mr. Rau.—The account of railway pensionary charges is kept by the Chief Auditor of the Eastern Bengal Railway. He does not himself make the payments, but compiles the accounts from debits passed on to him by a large number of disbursing authorities. He could not give us a revised estimate of charges likely to come in course of payment during the year. I don't know whether the change of procedure described in paragraph 51 of the Appropriation Report has added to the excess. I asked him in October last why there was a large difference between the estimates and the actuals, and his explanation was that some of the authorities did not even reply to the enquiries he addressed them regarding a proper estimate of their payments. I understand under instructions of the Auditor General, no details of the adjustments which are passed on to his office by other Audit Officers are sent to his office, and so he was unable even to say whether the heavy adjustments he talked of covered recurring or non-recurring payments. I should add that the actual expenditure varies considerably. It was 3,76 in 1925-26, 5,58 in 1926-27 and 6,49 in 1927-28. Moreover, as the Committee will recognise, these are in the nature of inevitable payments and it is difficult to foretell exactly how many railway servants will be on the retired list in any particular year and how many of those already retired will pass away from the list by death. But efforts are, however, being made to obtain a more accurate estimate of these charges. The Chief Auditor, I understand, is taking steps to obtain fuller information about the various details under this head.

166. *Chairman.*—We then come to Grant No. 15, paragraph 133 of the Appropriation Accounts.

Mr. Rau.—Paragraph 133 refers to the general question of over allotment. There is nothing that I can say on that. Sir Austen Hadow gave you a

general explanation about paragraph 134. The only thing I can do is this. He has given me a note which I can read to the Committee, if they like. He has a personal knowledge of the question.

Sir Frederic Gauntlett.—If he has taken the trouble to give us a memorandum, we might hear it.

Mr. Rau.—The Committee probably realise to some extent the nature of this project, one of the most difficult that has ever been undertaken in India : it was very difficult to estimate the cost, originally put at 175 lakhs, as no one knew or could anticipate what difficulties would be experienced in the actual construction of a railway through this very rough country, where much tunnelling would be necessary. The completion of the line and the overcoming of all the difficulties involved were considered a matter for congratulation in November 1925 when the line was opened up to Landi Kotal and there is no doubt that if it had not been for the defective work subsequently discovered in some of the tunnels, every one connected with the project would have been credited with a specially good piece of work.

As regards the tunnels, the first we heard of anything being wrong was in March 1927 when, in sending in a report enumerating certain additional works considered necessary as a result of the advice of a geological expert and a report by a Committee of Engineers on damages caused by a record flood in September 1926, the Agent mentioned that "it might be necessary to strengthen some of the lining that had been put in already in some tunnels". In April 1927 we were told demi-officially that the Michni Tunnel was unsafe (this was the 6th tunnel west of Landi Kotal) and that a good deal of the tunnel lining done during construction would have to be re-done. The examination of the suspected tunnels took some time ; it is of course, a rather difficult matter as a good many holes had to be dug in the crown of the tunnel for examination to be made. As a result of this examination it was reported in October 1927 that it would cost approximately 15 lakhs to put the defects right. The Chief Commissioner, who was then the Engineering Member of the Board, visited the Khyber in November 1927 to look into the matter personally, and wrote a note in which he covered other matters besides these defective tunnels ; one point was that there had been two serious floods in the Khyber which had shown the necessity for some change in design of some of the works and he was examining this at the same time.

The defects in construction that came to light may be classed under two heads (a) lack of mortar and (b) hollows left behind the masonry. They came to notice by bulging, and crushing of the masonry.

The action then taken was in two directions :—

- (i) to a consideration of the best methods to be adopted in putting matters right and making the tunnels more secure in the future ;
- (ii) to the fixing of responsibility for the defective work.

A good deal of discussion took place on (i) and an *Engineer Officer* from the G. I. P. Railway, with long experience in tunnelling, visited the Khyber in December 1927 and 1928, at the instance of the Board. His view was that in the bad strata in which these tunnels were situated the *walls and floors* should have been thicker.

Mr. Rau.—That is so : I think, as Sir Austen Hadow said the other day, one of the lessons we have learnt from this experience is that we must take particular pains to study geological conditions of the country.

Mr. Mitra.—We have now tunnel experts ?

Mr. Rau.—I am aware of one man, Mr. Hogarth, who is on the Great Indian Peninsula Railway.

Chairman.—But the tunnel experts cannot take the place of geological experts ?

Mr. Rau.—No.

172. *Sir Frederic Gauntlett.*—The rest of the report deals with traffic irregularities and those are nearly always dealt with strictly by the railway authorities. I suggest that it would be sufficient if we just deal with the points to which I have called attention in paragraphs 50 and 51 of my letter.

173. *Mr. Mitra.*—*Paragraph 137.*—It is a very bad case and the punishment is too meagre.

Mr. Tower.—But the percentage of the underweight is very small—only about 2 per cent. Besides you must remember that at a big station like Khamgaon you might load anything up to 20,000 maunds a day. You have got to put additional staff during the busy season and they are generally not experienced. It is impossible for a clerk to weigh 20,000 maunds of cotton, or even a large proportion of it. Then there is another extenuating circumstance. These bales are nearly always standard bales but they happened to be underweighed in the case of the firm in question. The staff concerned was punished adequately. If there was a case of fraud, the Divisional Traffic Manager would no doubt have discharged him. There were no doubt irregularities but I do not think it is a particularly serious case warranting dismissal.

174. *Mr. Tower.*—*Paragraph 138.*—The Divisional Traffic Manager was in no way responsible for the delay. This was due to the reference to the Military Department and to attempts made to obtain copies of the original documents authorising the despatch. This took a considerable time—over a year in fact—and especially in view of the fact that the amount undercharged was fully recovered, the Railway Board do not consider it necessary to ask the Agent to take more severe disciplinary action against the Assistant Goods Clerk on whom the responsibility was finally fixed. It is understood that the Agent has directed that a note of this should be placed on the history sheet of the man responsible which will be taken into consideration when the question of his promotion, etc., is considered in the future.

175. *Mr. Das.*—I would like to ask Mr. Rau a general question. How much does it cost the railways on account of these military rates ?

Mr. Rau.—I do not think we have calculated the amount ; it is an arrangement of long standing. Of course, the army is charged special rates. There is a big manual with regard to that.

176. *Mr. Das.*—Do you give concessions to any other departments ?

Mr. Rau.—We do give some concession to the Postal Department also.

Sir Frederic Gauntlet.—The only thing which is left now is paragraph 55 of my letter which calls attention to various defects of budgeting and so on to which I have no doubt Mr. Rau will devote special attention. They are only brought together so as to help him in making his future estimates.

There is only one thing left and that is whether the Sub-Committee would like to express any general conclusions on the specific points referred to us.

Chairman.—For that purpose I suggest we might meet later on for an hour or so and, meanwhile, the transcript of evidence might be circulated.

Mr. Das.—I would like to speak on behalf of the members of the Committee in appreciation of Mr. Rau's evidence. I hope he will not carry away the impression that we were unduly hard on the Railway Board; in fact, we have tried our level best to help the Railway Board. (Other members also associated themselves with Mr. Das in the appreciation of Mr. Rau's evidence).

Chairman.—Mr. Rau had to answer for the sins of others.